

# PART FOUR

## FINANCIAL STATEMENTS

Independent Auditor's Report	159
Certification of financial statements	161
Statement of comprehensive income	162
Balance sheet	163
Statement of changes in equity	164
Cash flow statement	165
Schedule of commitments	166
Schedule of contingencies	168
Schedule of asset additions	169
Schedule of administered items	170
Statement of activities administered on behalf of Government	175
Notes to and forming part of the financial statements	177





Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

### To the Treasurer

#### Scope

I have audited the accompanying financial statements of the Department of the Treasury for the year ended 30 June 2010, which comprise: the Statement by the Departmental Secretary and Chief Financial Officer; Statement of comprehensive income; Balance sheet; Statement of changes in equity; Cash flow statement; Schedule of commitments; Schedule of contingencies; Schedule of asset additions; Schedule of administered items and Notes to and forming part of the financial statements, including a Summary of significant accounting policies.

#### *The Responsibility of the Secretary for the Financial Statements*

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department of the Treasury's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of the Treasury's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Department of the Treasury's Secretary, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence***

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

**Auditor's Opinion**

In my opinion, the financial statements of the Department of the Treasury:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Treasury's financial position as at 30 June 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ian McPhee  
Auditor-General

Canberra

17 September 2010

## THE TREASURY

---

### Statement by the Departmental Secretary and Chief Financial Officer

#### Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2010 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Ken Henry  
Secretary to the Treasury



Rob Donnelly  
Chief Financial Officer

Statement of comprehensive income  
for the period ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>EXPENSES</b>			
Employee benefits	3A	118,613	107,575
Supplier expenses	3B	48,315	47,046
Grants	3C	2,986	3,248
Depreciation and amortisation	3D	4,368	4,191
Finance costs	3E	35	94
Write-down and impairment of assets	3F	28	33
Net losses from sale of assets	3G	37	9
<b>TOTAL EXPENSES</b>		<b>174,382</b>	<b>162,196</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	12,607	8,823
Other revenues	4B	742	290
<b>Total own-source-revenue</b>		<b>13,349</b>	<b>9,113</b>
<b>Gains</b>			
Other gains	4C	546	534
<b>Total gains</b>		<b>546</b>	<b>534</b>
<b>TOTAL OWN-SOURCE INCOME</b>		<b>13,895</b>	<b>9,647</b>
<b>Net cost of services</b>		<b>160,487</b>	<b>152,549</b>
Revenue from Government	4D	165,939	148,680
<b>Surplus/(Deficit) attributable to the Australian Government</b>		<b>5,452</b>	<b>(3,869)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves	5	-	(30)
<b>Total other comprehensive income</b>		<b>-</b>	<b>(30)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT</b>		<b>5,452</b>	<b>(3,899)</b>

This statement should be read in conjunction with the accompanying notes.

**Balance sheet**  
as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	6A	1,196	1,367
Trade and other receivables	6B	77,254	76,793
<b>Total financial assets</b>		<b>78,450</b>	<b>78,160</b>
<b>Non-financial assets</b>			
Land and buildings	7A	8,714	10,314
Plant and equipment	7B	7,620	7,985
Intangibles	7C	36,711	19,650
Assets held for sale	7D	-	24
Other non-financial assets	7E	1,799	1,042
<b>Total non-financial assets</b>		<b>54,844</b>	<b>39,015</b>
<b>TOTAL ASSETS</b>		<b>133,294</b>	<b>117,175</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	8A	1,662	3,853
Other payables	8B	12,098	6,621
<b>Total payables</b>		<b>13,760</b>	<b>10,474</b>
<b>Interest bearing liabilities</b>			
Leases	9	40	233
<b>Total interest bearing liabilities</b>		<b>40</b>	<b>233</b>
<b>Provisions</b>			
Employee provisions	10	39,110	36,057
<b>Total provisions</b>		<b>39,110</b>	<b>36,057</b>
<b>TOTAL LIABILITIES</b>		<b>52,910</b>	<b>46,764</b>
<b>NET ASSETS</b>		<b>80,384</b>	<b>70,411</b>
<b>EQUITY</b>			
Asset revaluation reserve		5,246	5,246
Contributed equity		38,764	34,243
Retained surplus		36,374	30,922
<b>TOTAL EQUITY</b>		<b>80,384</b>	<b>70,411</b>

This statement should be read in conjunction with the accompanying notes.

## Statement of changes in equity as at 30 June 2010

	Retained earnings		Asset revaluation reserve		Contributed equity		Total equity	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Opening balance as at 1 July</b>	30,922	34,791	5,246	5,276	34,243	12,939	70,411	53,006
<b>Comprehensive income</b>	5,452	(3,869)	-	-	-	-	5,452	(3,869)
Surplus/(Deficit) for the period	-	-	-	(30)	-	-	-	(30)
Other comprehensive income	5,452	(3,869)	-	(30)	-	-	5,452	(3,899)
<b>Total comprehensive income</b>								
of which:								
Attributable to the Australian Government	5,452	(3,869)	-	(30)	-	-	5,452	(3,899)
<b>Transactions with owners:</b>								
<b>Contributions by owners:</b>								
Appropriations (equity injections)	-	-	-	-	4,521	21,304	4,521	21,304
<b>Sub-total transactions with owners</b>					4,521	21,304	4,521	21,304
<b>Closing balance as at 30 June</b>	36,374	30,922	5,246	5,246	38,764	34,243	80,384	70,411
<b>Closing balance attributable to the Australian Government</b>	36,374	30,922	5,246	5,246	38,764	34,243	80,384	70,411

This statement should be read in conjunction with the accompanying notes.



**Cash flow statement**  
for the period ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Goods and services		14,034	11,046
Appropriations		183,103	145,800
Net GST received from ATO		5,028	5,228
Other cash received		2,103	924
<b>Total cash received</b>		<b>204,268</b>	162,998
<b>Cash used</b>			
Employees		115,487	105,216
Suppliers		52,399	52,049
Grants		2,986	3,248
Financing costs		35	94
Cash to the OPA		18,354	-
Other cash used		1	-
<b>Total cash used</b>		<b>189,262</b>	160,607
<b>Net cash from/(used by) operating activities</b>	11	<b>15,006</b>	2,391
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of property, plant and equipment		9	12
<b>Total cash received</b>		<b>9</b>	12
<b>Cash used</b>			
Purchase of property, plant and equipment		3,995	4,770
Purchase of intangibles		15,519	19,059
<b>Total cash used</b>		<b>19,514</b>	23,829
<b>Net cash from/(used by) investing activities</b>		<b>(19,505)</b>	(23,817)
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Capital injections		4,521	21,304
<b>Total cash received</b>		<b>4,521</b>	21,304
<b>Cash used</b>			
Repayment of borrowings (includes finance lease principal)		193	781
<b>Total cash used</b>		<b>193</b>	781
<b>Net cash from/(used by) financing activities</b>		<b>4,328</b>	20,523
<b>Net increase/(decrease) in cash held</b>		<b>(171)</b>	(903)
Cash at the beginning of the reporting period		1,367	2,270
<b>Cash at the end of the reporting period</b>	6A	<b>1,196</b>	1,367

This statement should be read in conjunction with the accompanying notes.

## Schedule of commitments

as at 30 June 2010

	2010 \$'000	2009 \$'000
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
GST receivable	(4,724)	(7,170)
<b>Total commitments receivable</b>	<b>(4,724)</b>	<b>(7,170)</b>
<b>Capital commitments</b>		
Infrastructure, plant and equipment	1,064	-
Intangibles	1,515	15,859
<b>Total capital commitments</b>	<b>2,579</b>	<b>15,859</b>
<b>Other commitments</b>		
Operating leases	46,976	57,146
Other	4,071	10,377
<b>Total other commitments</b>	<b>51,047</b>	<b>67,523</b>
<b>NET COMMITMENTS</b>	<b>48,902</b>	<b>76,212</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
<b>GST receivable</b>		
One year or less	(1,165)	(2,565)
From one to five years	(3,163)	(3,384)
Over five years	(396)	(1,221)
<b>Total GST receivable</b>	<b>(4,724)</b>	<b>(7,170)</b>
<b>Capital commitments</b>		
One year or less	2,579	14,795
From one to five years	-	1,064
<b>Total capital commitments</b>	<b>2,579</b>	<b>15,859</b>
<b>Operating lease commitments</b>		
One year or less	8,480	9,367
From one to five years	34,135	34,344
Over five years	4,361	13,435
<b>Total operating lease commitments</b>	<b>46,976</b>	<b>57,146</b>
<b>Other commitments</b>		
One year or less	2,643	6,863
From one to five years	1,428	3,514
<b>Total other commitments</b>	<b>4,071</b>	<b>10,377</b>
<b>NET COMMITMENTS BY MATURITY</b>	<b>48,902</b>	<b>76,212</b>

This schedule should be read in conjunction with the accompanying notes.

Note: Commitments are GST inclusive where relevant.

## Schedule of commitments (continued)

Operating leases included are effectively non-cancellable and comprise of:

Nature of lease	General description of leasing arrangement
Leases for accommodation	<ul style="list-style-type: none"> <li>▪ Commercial — leases comprise of various periods, including both initial and options periods.</li> <li>▪ Overseas estate — some commercial lease payments are adjusted annually by two per cent and residential lease payments are reviewed bi-annually to reflect market movements.</li> <li>▪ The initial periods of office accommodation leases are still current and each may be renewed with options for a further three or five years.</li> <li>▪ Australian estate — residential lease payments are reviewed bi-annually to reflect market movements.</li> </ul>
Agreements for the provision of motor vehicles to Senior Executive Officers	<ul style="list-style-type: none"> <li>▪ No contingent rentals exist.</li> <li>▪ No renewal or purchase options are available to the Treasury.</li> </ul>
Leases for computer equipment and office equipment	<ul style="list-style-type: none"> <li>▪ The lessor provides all computer equipment designated as necessary in the supply contract for three years with an option to extend the term for a fixed period as agreed by both parties.</li> <li>▪ The lessor provides all photocopier equipment designated as necessary in the supply contract for four years with an option to extend the term for a fixed period as agreed by both parties.</li> </ul>

Other commitments include commitments for consultants, building services and other commitments.

## Schedule of contingencies

as at 30 June 2010

	2010	2009
	\$'000	\$'000
<b>Contingent liabilities</b>		
Other - studies assistance	272	248
<b>Total contingent liabilities</b>	272	248
<b>NET CONTINGENT LIABILITIES</b>	<b>(272)</b>	<b>(248)</b>

This schedule should be read in conjunction with the accompanying notes.

Note: Departmental quantifiable and unquantifiable contingencies are disclosed in Note 12: Contingent liabilities and assets.

Schedule of asset additions  
as at 30 June 2010

The following non-financial non-current assets were added in 2009-10:

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
By purchase - appropriation equity	-	-	12,858	12,858
By purchase - appropriation ordinary annual services	2,937	226	3,847	7,010
<b>Total additions</b>	<b>2,937</b>	<b>226</b>	<b>16,705</b>	<b>19,868</b>

The following non-financial non-current assets were added in 2008-09:

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
By purchase - appropriation equity	-	-	17,132	17,132
By purchase - appropriation ordinary annual services	2,910	1,941	1,928	6,779
By finance lease	-	53	-	53
<b>Total additions</b>	<b>2,910</b>	<b>1,994</b>	<b>19,060</b>	<b>23,964</b>

Schedule of administered items  
for the period ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Income administered</b>			
<b>on behalf of Government</b>			
for the period ended 30 June 2010			
<b>Revenue</b>			
<b>Non-taxation revenue</b>			
Interest	17A	2,236	3,817
Dividends	17B	5,976,709	1,402,968
Sale of goods and rendering of services	17C	1,930,987	1,106,895
COAG receipts from government agencies	17D	3,639,933	2,060,272
Other revenue	17E	177,084	137,216
<b>Total non-taxation revenue</b>		<b>11,726,949</b>	<b>4,711,168</b>
<b>Total revenues administered</b>			
<b>on behalf of Government</b>			
		<b>11,726,949</b>	<b>4,711,168</b>
<b>Gains</b>			
Net foreign exchange gains	17F	790,861	-
Other gains	17G	14,148	-
<b>Total gains administered</b>			
<b>on behalf of Government</b>			
		<b>805,009</b>	<b>-</b>
<b>Total income administered</b>			
<b>on behalf of Government</b>			
		<b>12,531,958</b>	<b>4,711,168</b>
<b>Expenses administered</b>			
<b>on behalf of Government</b>			
for the period ended 30 June 2010			
Grants	18A	87,974,215	53,643,549
Interest	18B	11,413	14,265
Other expenses	18D	14,818	(232)
<b>Losses</b>			
Net foreign exchange losses	18C	-	403,553
<b>Total expenses administered</b>			
<b>on behalf of Government</b>			
		<b>88,000,446</b>	<b>54,061,135</b>

This schedule should be read in conjunction with the accompanying notes.

Schedule of administered items (continued)

as at 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Assets administered</b>			
<b>on behalf of Government</b>			
as at 30 June 2010			
<b>Financial assets</b>			
Cash and cash equivalents	19A	4,063	8,230
Receivables	19B	5,326,422	2,744,885
Investments	19C and D	17,963,607	25,891,790
<b>Total financial assets</b>		<b>23,294,092</b>	28,644,905
<b>Non-financial assets</b>			
Other	19E	545,346	-
<b>Total non- financial assets</b>		<b>545,346</b>	-
<b>Total assets administered</b>			
<b>on behalf of Government</b>		<b>23,839,438</b>	28,644,905
<b>Liabilities administered</b>			
<b>on behalf of Government</b>			
as at 30 June 2010			
<b>Payables</b>			
Loans	20A	4,882,893	3,889,425
Grants	20B	395,306	558,917
Other payables	20C	5,470,847	1,895,869
Unearned income	20D	3,322,908	2,660,585
<b>Total payables</b>		<b>14,071,954</b>	9,004,796
<b>Provisions</b>			
Other provisions	20E	30,540	38,306
<b>Total other provisions</b>		<b>30,540</b>	38,306
<b>Total liabilities administered</b>			
<b>on behalf of Government</b>		<b>14,102,494</b>	9,043,102
<b>Net assets administered</b>			
<b>on behalf of Government</b>	21	<b>9,736,944</b>	19,601,803

This schedule should be read in conjunction with the accompanying notes.

## Schedule of administered items (continued)

for the period ended 30 June 2010

	Notes	2010 \$'000	2009 \$'000
<b>Administered cash flows</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Sale of goods and rendering services		1,333,504	1,023,165
Interest		2,388	3,893
Dividends		5,226,709	1,402,968
Net GST received		175	465
HIH Group liquidation proceeds		53,776	22,860
COAG receipts from government agencies		11,068,030	2,060,272
Other		120,164	72,502
<b>Total cash received</b>		<b>17,804,746</b>	<b>4,586,125</b>
<b>Cash used</b>			
Grant payments		95,293,444	53,084,810
Interest		9,949	17,543
Other		5,520	63,314
<b>Total cash used</b>		<b>95,308,913</b>	<b>53,165,667</b>
<b>Net cash flows from (used by) operating activities</b>		<b>(77,504,167)</b>	<b>(48,579,542)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
IMF SDR allocation <sup>1</sup>		4,845,258	-
<b>Total cash received</b>		<b>4,845,258</b>	<b>-</b>
<b>Cash used</b>			
Settlement of international financial institution's obligations		-	592
<b>Total cash used</b>		<b>-</b>	<b>592</b>
<b>Net cash flows from (used by) investing activities</b>		<b>4,845,258</b>	<b>(592)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(72,658,909)</b>	<b>(48,580,134)</b>
Cash and cash equivalents at the beginning of reporting period		8,230	10,213
Cash from Official Public Account for:			
- appropriations		61,744,128	44,858,979
- special accounts		26,324,452	5,928,084
		<b>88,068,580</b>	<b>50,787,063</b>
Cash to Official Public Account for:			
- appropriations		15,413,838	2,208,912
- special accounts		-	-
		<b>15,413,838</b>	<b>2,208,912</b>
<b>Cash and cash equivalents at end of reporting period</b>	19A	<b>4,063</b>	<b>8,230</b>

1 The IMF allocated additional SDRs during the global financial crisis to increase the liquidity of member countries.

This schedule should be read in conjunction with the accompanying notes.



Schedule of administered items (continued)

as at 30 June 2010

	2010	2009
	\$'000	\$'000
<b>Administered commitments</b>		
<b>BY TYPE</b>		
<b>Commitments payable</b>		
<b>Other commitments</b>		
Other <sup>1</sup> - HCS Scheme	-	477
Other <sup>1</sup> - Commonwealth grants	349,085,071	310,887,246
Other expenses	1,500	-
<b>Total other commitments</b>	<b>349,086,571</b>	<b>310,887,723</b>
<b>Total commitments payable</b>	<b>349,086,571</b>	<b>310,887,723</b>
<b>Commitments receivable</b>		
GST receivable	(136)	(43)
<b>Total commitments receivable</b>	<b>(136)</b>	<b>(43)</b>
<b>NET COMMITMENTS BY TYPE</b>	<b>349,086,435</b>	<b>310,887,680</b>
<b>BY MATURITY</b>		
<b>Commitments payable</b>		
<b>Other commitments</b>		
One year or less	84,861,330	78,207,761
From one to five years	264,225,241	232,679,962
<b>Total other commitments</b>	<b>349,086,571</b>	<b>310,887,723</b>
<b>Commitments receivable</b>		
One year or less	(136)	(43)
<b>Total commitments receivable</b>	<b>(136)</b>	<b>(43)</b>
<b>NET COMMITMENTS BY MATURITY</b>	<b>349,086,435</b>	<b>310,887,680</b>

1 Other commitments relates to services provided with respect to the HIH Claims Support (HCS) Scheme and grants to the States and Territories.

This schedule should be read in conjunction with the accompanying notes.

Note: All commitments are GST inclusive where relevant.

## Schedule of administered items (continued) as at 30 June 2010

	Guarantees		Indemnities		Uncalled shares or capital subscriptions <sup>1</sup>		Claims for damages or costs		Warranties		Letters of comfort		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Administered contingencies	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered contingent liabilities</b>														
Balance from previous period	-	-	-	-	6,697,681	5,659,186	-	-	-	-	-	-	6,697,681	5,659,186
New	-	-	-	-	5,692,988	-	-	-	-	-	-	-	5,692,988	-
Re-measurement	-	-	-	-	(338,652)	1,038,495	-	-	-	-	-	-	(338,652)	1,038,495
Liabilities recognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total administered contingent liabilities</b>	-	-	-	-	<b>12,052,017</b>	<b>6,697,681</b>	-	-	-	-	-	-	<b>12,052,017</b>	<b>6,697,681</b>
<b>Total administered contingent assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET ADMINISTERED CONTINGENT LIABILITIES</b>	-	-	-	-	<b>12,052,017</b>	<b>6,697,681</b>	-	-	-	-	-	-	<b>12,052,017</b>	<b>6,697,681</b>

1 Comprises uncalled shares or capital subscriptions in the European Bank for Reconstruction and Development (EBRD), the International Bank for Reconstruction and Development (IBRD), the Multilateral Investment Guarantee Agency (MIGA) and the Asian Development Bank (ADB).

This schedule should be read in conjunction with the accompanying notes.

Note: Administered unquantifiable contingencies are disclosed in Note 22: Administered contingent liabilities and assets. The Treasury has given financial guarantees for which the details are disclosed at Note 1.31 and Note 24: Administered financial instruments.

## **Statement of activities administered on behalf of Government**

The major administered activities of the Treasury are directed towards achieving the outcome described in Note 1.1 (Program 1.2 to Program 1.10) of the Financial Statements. Details of planned activities of Program 1.2 to Program 1.10 for the year can be found in the Treasury Portfolio Budget Statements and Portfolio Additional Estimates Statements.



**Notes to and forming part of the financial statements**  
for the period ended 30 June 2010

Note 1: Summary of significant accounting policies	179
Note 2: Events occurring after reporting date	199
Note 3: Expenses	200
Note 4: Income	202
Note 5: Other comprehensive income	202
Note 6: Financial assets	203
Note 7: Non-financial assets	204
Note 8: Payables	208
Note 9: Interest bearing liabilities	209
Note 10: Provisions	209
Note 11: Cash flow reconciliation	210
Note 12: Contingent liabilities and assets	210
Note 13: Executive remuneration	212
Note 14: Remuneration of auditors	214
Note 15: Average staffing levels	214
Note 16: Financial instruments	214
Note 17: Income administered on behalf of Government	218
Note 18: Expenses administered on behalf of Government	219
Note 19: Assets administered on behalf of Government	220
Note 20: Liabilities administered on behalf of Government	222
Note 21: Administered reconciliation table	223
Note 22: Administered contingent liabilities and assets	224
Note 23: Administered investments	230
Note 24: Administered financial instruments	232
Note 25: Administered consolidation	240
Note 26: Appropriations	247
Note 27: Compensation and debt relief	262
Note 28: Reporting of outcomes	262



## Note 1: Summary of significant accounting policies

### 1.1 Objectives of the Treasury

The Treasury's mission is to improve the wellbeing of the Australian people by providing sound and timely advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury Ministers in the administration of their responsibilities and the implementation of government decisions.

The Treasury is structured to meet one outcome:

Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations.

The reporting entity, hereafter referred to as 'the Treasury', comprises the Treasury and the Australian Government Actuary.

Activities contributing towards the outcome detailed above are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Administered activities involve the management or oversight by the Treasury on behalf of the Government, of items controlled or incurred by the Government.

Departmental activities and administered activities are identified under Program 1.1. Administered activities are identified under Programs 1.2 to 1.10 listed below:

- Program 1.1 — Department of the Treasury
- Program 1.2 — Payments to International Financial Institutions
- Program 1.3 — Support for Markets and Business
- Program 1.4 — General Revenue Assistance
- Program 1.5 — Assistance to the States for Healthcare Services
- Program 1.6 — Assistance to the States for Schools
- Program 1.7 — Assistance to the States for Skills and Workforce Development
- Program 1.8 — Assistance to the States for Disability Services
- Program 1.9 — Assistance to the States for Affordable Housing
- Program 1.10 — National Partnership Payments to the States

Program 1.2 provides for administered payments to International Financial Institutions as required to:

- promote international monetary cooperation, exchange stability and orderly exchange arrangements;
- strengthen the international financial system; and
- support development objectives through the multilateral development banks.

Program 1.3 provides for administered activities in respect of:

- insurance claims arising from the residual Housing Loans Insurance Corporation (HLIC) portfolio;
- assistance under the HIH Claims Support (HCS) Scheme;
- the Guarantee of State and Territory Borrowing in assisting state and territory governments to access funding;
- the Guarantee Scheme for Large Deposits and Wholesale Funding to promote financial system stability in Australia; and
- support for car dealership financing through the OzCar Special Purpose Vehicle (SPV).

Program 1.4 provides for administered payments for general revenue assistance to the States and Territories, including payments of revenue received from the GST.

Programs 1.5 to 1.9 provides for administered payments to the States and Territories for healthcare services, schools services, skills and workforce development services, disability services and affordable housing services; in accordance with the payment arrangements specified in the *Intergovernmental Agreement on Federal Financial Relations*.

Program 1.10 provides for administered payments to the States and Territories in accordance with National Partnership agreements that provide financial support for the States and Territories to be spent on improving outcomes in the areas specified.

The continued existence of the Treasury in its present form and with its present programs is dependent on government policy and on continuing appropriations by parliament for the Treasury's policy advice, administration and programs.

## 1.2 Basis of preparation of the financial report

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2009; and



- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the Treasury or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under Agreements Equally Proportionately Unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments and the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.22 on page 190.

### 1.3 Significant accounting judgments and estimates

Apart from the Australian Government Actuary's reconsideration of their 2008-09 review of employee benefits, which resulted in changes to on-cost calculations and discount factors, no accounting assumptions or estimates have been identified for departmental items that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In the process of applying the accounting policies for administered items listed in Notes 1.29 and 1.30 on pages 196 and 197, the Treasury has obtained independent actuarial assessments of the HLIC premiums, recoveries, claims and acquisition costs, and the HCS Scheme liability.

In relation to uncalled shares disclosed in the administered contingencies table, the Treasury has judged the risk of these shares being called as low for the foreseeable future. This judgment is based on historic and current performance of the international financial

institutions. Some of the factors considered are the financial strength of the development banks (that is, most have AAA credit ratings), established risk management policies, healthy debt ratios and no adverse financial statement audit opinions.

## 1.4 Changes in Australian Accounting Standards

### Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. None of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to the current period have had a material financial impact on the Treasury. The following standards or amendments to standards have become effective but have had no financial impact to the operations of the Treasury.

#### Standards

- AASB 3 — *Business combinations*
- AASB 4 — *Insurance contracts*
- AASB 107 — *Statement of cash flows*
- AASB 116 — *Property, Plant and Equipment*
- AASB 117 — *Leases*
- AASB 118 — *Revenue*
- AASB 121 — *The effects of changes in foreign exchange rates*
- AASB 127 — *Consolidated and separate financial statements*
- AASB 128 — *Investments in associates*
- AASB 131 — *Interests in joint ventures*
- AASB 132 — *Financial Instruments: Presentation*
- AASB 134 — *Interim Financial Reporting*
- AASB 136 — *Impairment of assets*
- AASB 138 — *Intangible assets*
- AASB 1048 — *Interpretation of standards*
- *2010-3 Amendments to Australian accounting standards arising from the Annual Improvements Project*

### Future Australian Accounting Standard requirements

Of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to future periods, it is estimated that the impact of adopting the pronouncements when effective will have no material financial impact on future reporting periods, but may affect disclosures in future financial reports.

## 1.5 Revenue

### Revenue from government

Amounts appropriated for departmental outputs for the year (adjusted for any formal additions and reductions) are recognised as revenue when the agency gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

### Other types of revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the agency retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred for the transaction can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at balance date. Allowances are made when collectability of the debt is no longer probable.

## 1.6 Gains

### Resources received free of charge

Resources received free of charge are recognised as gains when and only when fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7 below).

Resources received free of charge are recorded as either revenue or gains depending on their nature.

#### Sale of assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

### 1.7 Transactions with the Government as owner

#### Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that year.

#### Restructuring of administrative arrangements

Net assets received from or relinquished to another Australian Government agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

#### Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

### 1.8 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined by AASB 119 — *Employee Benefits*) and termination benefits due within 12 months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as the total net present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of the plan's assets (if any) out of which the obligations are to be settled directly.

## Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Treasury is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Treasury's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for both annual and long service leave has been determined by reference to the work of the Australian Government Actuary as at 30 June 2009. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases.

## Separation and redundancy

No provision has been made for separation and redundancy benefit payments during the year (2009: Nil).

## Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme which opened for new employees on 1 July 2005. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The Treasury makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the government of the superannuation entitlements of the Treasury's employees. The Treasury accounts for the contribution as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2010 represents outstanding contributions for the final fortnight of the year.

## 1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the leased property or, if lower, the present value of minimum lease payments at the inception of the contract. A liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense. At reporting date, the Treasury had finance leases with terms averaging 2.75 years and a maximum term of 3.25 years. The interest rate implicit in the leases averaged 5.92 per cent (2009: 6.24 per cent). The lease assets secure the lease liabilities.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

#### 1.10 Borrowing costs

All borrowing costs are expensed as incurred.

#### 1.11 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount. Any interest receivable is credited to revenue as it accrues. The Treasury maintains bank accounts with the Reserve Bank of Australia for administration of the receipt and payment of monies.

#### 1.12 Financial risk management

The Treasury's activities expose it to normal commercial financial risk. As a result of the nature of the Treasury's business and internal and Australian Government policies, dealing with the management of financial risk, the Treasury's exposure to market, credit, liquidity, cash flow and fair value interest rate risk is considered to be low.

#### 1.13 Other financial instruments

##### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is usually recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2009: 30 days).

### Trade creditors

Trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 30 days.

### 1.14 Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

#### Financial assets held at amortised cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the statement of comprehensive income.

#### Available for sale financial assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.

#### Financial assets held at cost

If there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

### 1.15 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are reported when settlement is probable but not virtually certain and contingent liabilities are recognised when the probability of settlement is greater than remote.

### 1.16 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

## 1.17 Property, plant and equipment

### Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant and total \$20,000 or more).

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

### Revaluations

Fair values for each class of asset are determined as shown below.

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the operating result. Revaluation decrements for a class of assets are recognised directly through the operating result except to the extent that they reverse a previous revaluation increment for that class.

188

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

The Treasury performed a valuation of leasehold improvements, infrastructure, plant and equipment assets on 30 November 2007. The valuation was performed by independent valuers Preston Rowe Paterson NSW Pty Limited and was based on valuing the assets at fair value. Preston Rowe Paterson NSW Pty Limited confirmed that net asset values materially reflected fair value at 30 June 2010.



## Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2009-10	2008-09
Computers, plant and equipment	3-10 years	3-10 years
Leasehold improvements	5-10 years	5-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3D on page 201.

## Impairment

All assets were assessed for impairment at 30 June 2010. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

No indicators of impairment were found for departmental assets at fair value during the year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Treasury were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### 1.18 Intangibles

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Treasury's software are three to five years (2008-09: 3 to 5 years).

The Treasury's largest intangible asset under construction is for Standard Business Reporting (SBR). SBR is a multi-agency initiative that will simplify business-to-government

reporting by introducing a single secure way to interact on-line with participating agencies. For further information visit [www.sbr.gov.au](http://www.sbr.gov.au).

All software assets were assessed for indications of impairment as at 30 June 2010.

### 1.19 Taxation/competitive neutrality

The Treasury is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recovered from the Australian Taxation Office; and
- except for receivables and payables.

### 1.20 Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

### 1.21 Insurance

The Treasury is insured for risks through the government's insurable risk managed fund, Comcover. Workers compensation is insured through the government's insurable risk managed fund, Comcare Australia.

### 1.22 Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the schedule of administered items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

### 1.23 Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Australian Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Australian Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Australian Government and reported as such in the statement of cash flows in the schedule of administered items and in the administered reconciliation table in Note 21 on page 223. The schedule of administered

items largely reflects the Australian Government's transactions, through the Treasury, with parties outside the Australian Government.

#### 1.24 Administered revenue

All administered revenues relate to the course of ordinary activities performed by the Treasury on behalf of the Australian Government.

##### Reserve Bank of Australia dividend

Dividends from the Reserve Bank of Australia (RBA) are recognised when a determination is made by the Treasurer and thus control of the income stream has been established. On this basis, the RBA's dividend for 2008-09 is recognised in the Treasury's financial statements in 2009-10. Dividends are measured at nominal amounts.

The Treasurer is able to determine what portion of the RBA's earnings is made available as a dividend to the Australian Government having regard to the Reserve Bank Board's advice and in accordance with section 30 of the *Reserve Bank Act 1959*.

##### International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund (IMF) to Australia for the use of its funds. It includes the proportion of the member currencies (quota) that was paid in Special Drawing Rights (SDR) and held by the IMF and money lent out under the financial transaction plan.

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected in Note 17 on page 218 as burden sharing.

Remuneration is calculated and paid at the end of the IMF's financial quarters. An annual maintenance of value adjustment is made to the IMF's holdings of the quota to maintain their value in terms of the SDR.

##### Guarantee Scheme for Large Deposits and Wholesale Funding

Under the Guarantee Scheme for Large Deposits and Wholesale Funding, a fee is paid to guarantee the portion of eligible deposits over \$1 million and for wholesale funding issuances. The fees are reported as a fee for service in accordance with AASB 118 — *Revenue*. On 7 February 2010, the Government announced the closure of the Guarantee Scheme from 31 March 2010.

## Guarantee of State and Territory Borrowing

Under the Guarantee of State and Territory Borrowing, a fee is paid to provide the guarantee over new and nominated existing State and Territory securities. The fees are reported as a fee for service in accordance with AASB 118 — *Revenue*. The guarantee will close to new issuances of guaranteed liabilities on 31 December 2010.

## Financial guarantee contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 — *Financial Instruments: Recognition and Measurement*. They are not treated as contingent liabilities, as they are regarded as financial instruments outside the scope of AASB 137 — *Provisions, Contingent Liabilities and Contingent Assets*. The Treasury's administered financial guarantee contracts relate to components of the Guarantee Scheme for Large Deposits and Wholesale Funding and the Guarantee of State and Territory Borrowing.

### 1.25 Administered capital

Appropriations of administered capital are recognised in administered equity where the amounts appropriated by Parliament are drawn down. For the purposes of the Treasury annual report, administered equity transactions are not disclosed separately.

### 1.26 Grants

The Treasury administers a number of grant schemes on behalf of the Australian Government.

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Australian Government enters into an agreement to make grants but services have not been performed or criteria satisfied.

#### Grants to the IMF

This represents Australia's contribution to the IMF's Poverty Reduction and Growth Trust (interest subsidy account) to support increased IMF concessional lending to low-income countries in the context of the global financial crisis. This contribution is part of the Government's commitment to increase Australia's overseas development assistance over the long term. Australia's contribution involved \$30 million during 2009-10.

#### Grants to States and Territories

The current framework for federal financial relations, introduced on 1 January 2009, provides a strong foundation for the Council of Australian Governments (COAG) to pursue economic and social reform to underpin growth, prosperity and wellbeing into the future. Under the framework, the Treasurer is accountable for the efficient payment of National Partnership payments and general revenue assistance to the States and Territories. Portfolio Ministers

are accountable for relevant government policies associated with those payments. In addition, the Treasurer is accountable for payments and policies associated with GST payments and National Specific Purpose Payments (National SPPs). An overview of the Government's policy in respect of accountabilities under the new financial framework is presented in the 2010-11 Budget Papers, Part 6 of Budget Paper No. 3, *Australia's Federal Relations 2010-11*.

There are four main types of grant payments under the framework, as follows:

- National SPPs — a financial contribution to support a State or Territory to deliver services in a particular sector;
- National Partnership payments (NPs) — a financial contribution in respect of a National Partnership agreement to a State or Territory to support the delivery of specific projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements;
- GST revenue payments — a financial contribution to a State or Territory which is available for use by the States and Territories for any purpose; and
- general revenue assistance (GRA) other than GST revenue payments — a financial contribution to a State or Territory which is available for use by the States and Territories for any purpose.

The National SPPs and GST revenue grants are paid under a special appropriation from the *Federal Financial Relations Act 2009*. After the end of the financial year, the Treasurer makes a determination of the amounts that should have been paid and an adjustment is made in respect of advances that were paid during the financial year. The authority to determine the amount and timing of advances has been delegated to the General Manager, Commonwealth-State Relations Division.

The NP and GRA payments are paid under the *Federal Financial Relations Act 2009* through a determination process wherein the Treasurer may determine an amount to be paid to a State or Territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the COAG Reform Fund and the Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement. The Treasury advises on the amount to be determined, based on certified payment advices received from the Chief Financial Officers of Commonwealth agencies.

In 2008-09, the Treasury recorded revenues and expenses in relation to payments to States and Territories for assistance to non-government schools under the *Schools Assistance Act 2008*. During 2009-10 it was agreed that the Department of Education, Employment and Workplace Relations (DEEWR) would recognise expenses and revenues for these payments and that the Treasury would act as paying agent for these amounts to the States and

Territories. The Treasury has therefore not recognised any expenses or revenues for these amounts in 2009-10. Cash receipts from DEEWR and cash payments made to States and Territories in relation to these amounts paid in 2009-10 have been recorded in the schedule of administered cash flows.

### Payments to the States and Territories through the Nation Building Funds

The *Nation-building Funds Act 2008* (the Funds Act) outlines the requirements for payments to be authorised from the three Nation building funds (collectively known as 'the Funds'); the responsibilities of Ministers; and the process for channeling payments to recipients through portfolio special accounts.

The Funds were established to provide financing sources to meet the Government's commitment to Australia's future by investment in critical areas of infrastructure.

The three Funds are the:

- Building Australia Fund — make payments in relation to the creation or development of transport, communications, eligible national broadband network matters, energy and water infrastructure;
- Education Investment Fund — make payments in relation to the creation or development of higher education infrastructure, vocational education and training infrastructure, eligible education and research infrastructure; and
- Health and Hospitals Fund — make payments in relation to the creation or development of health infrastructure.

The Treasury receives funds from the relevant portfolio agency and pays the amount to the States and Territories. These amounts are recorded as 'COAG receipts from Government Agencies' to recognise the income and a corresponding grant expense is recognised for the payment to the States and Territories.

### Mirror taxes collected by State Governments

On behalf of the States, the Australian Government imposes mirror taxes which replace state taxes in relation to Australian Government places that may be constitutionally invalid. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State Governments bear the administration costs of collecting mirror taxes. Mirror taxes are disclosed at Note 26F on page 258.

## 1.27 Administered investments

### Development banks

In 2009-10, the Treasury changed its accounting policy in relation to investments in development banks. These investments are now classified as 'monetary — available for sale financial assets' rather than 'non-monetary — available for sale financial assets' as in

previous years. The impact of this change is that the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date. Previously, these investments were recorded at historical cost using foreign currency exchange rates at the date of transaction. This change was adopted as it provides a more reliable measure of the AUD amount the Government would receive if it decided to divest itself of these assets at balance date.

Consistent with the disclosure requirements of the FMO's and relevant accounting standards, the comparative year figures for investments in development banks have been adjusted as if the new accounting policy had always applied. An adjustment of \$55.6 million has also been included against 'changes in accounting policies' in Note 21: Administered reconciliation table, to reflect the change in AUD value of the investments in 2008-09 under the new accounting policy.

#### International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the IMF.

The SDR allocation liability reflects the current value in Australian dollars of the Treasury's liability to repay to the IMF Australia's cumulative allocations of SDR. This is classified as 'other payables'.

#### Australian Government entities

Administered investments in controlled entities are not consolidated because their consolidation is relevant only at the whole-of-government level.

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2010. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

- Reserve Bank of Australia; and
- Australian Reinsurance Pool Corporation.

#### OzCar Special Purpose Vehicle

The Australian Government has guaranteed all non AAA-rated securities issued by the OzCar SPV to facilitate the purchase of those securities by Australia's four major domestic banks. The *Car Dealership Financing Guarantee Appropriation Act 2009* provides an appropriation to support the Australian Government guarantee of those securities.

Based on the Treasury's assessment of the arrangements underpinning the OzCar SPV, an administered investment with a nil balance has been recorded to reflect the Australian Government's control of the OzCar SPV. As at 30 June 2010, the OzCar SPV Trust owed \$4.9 million in guaranteed liabilities over and above available cash assets. The Treasury

has recorded an impairment expense of \$4.9 million and equivalent liability to recognise this impairment.

#### Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2010. No indicators of impairment were identified with the exception of the Australian Government's investment in the OzCar SPV mentioned above.

#### 1.28 Promissory notes

Promissory notes have been issued to the IMF, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the Asian Development Bank and the Multilateral Investment Guarantee Agency.

Where promissory notes have been issued in foreign currencies, they are recorded at their nominal value by translating them at the spot rate at balance date. The promissory notes are non-interest bearing and relate to the undrawn paid-in capital subscriptions.

Foreign currency gains and losses are recognised where applicable.

#### 1.29 Mortgage insurance policies written by the Housing Loans Insurance Corporation up to 12 December 1997

The Australian Government sold HLIC on 12 December 1997. Under the terms and conditions of the sale the Australian Government retained ownership of all mortgage insurance policies written up to the time of the sale.

Accounting policies adopted are:

##### Premiums

Premiums comprise amounts charged to the policy holder or other insurer, excluding amounts collected on behalf of third parties, principally stamp duties. The earned portion of premiums received and receivable is recognised as revenue. Premiums are treated as earned from the date of attachment of risk.

Premiums received in respect of insured loans are apportioned over a number of years in accordance with an actuarial determination of the pattern of risk in relation to the loans. Premium amounts carried forward in this way are credited to 'provision for unearned premiums'.

Given the maturity of the portfolio, the provision for unearned premiums is now zero.



### Recoveries

Claims incurred recoveries and a receivable for outstanding recoveries are recognised in respect of insurance policies. The asset (HLIC premiums receivable) has been recognised in Note 19, based on the estimated discounted future cash flows.

### Claims

Claims incurred expenses and a liability for outstanding claims are recognised in respect of insurance policies. The liability covers claims incurred but not yet paid, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The liability has been recognised based on the estimated discounted future cash flows. Given the maturity of the portfolio, the liability is now estimated to be negligible.

### Acquisition costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits. Deferred acquisition costs are amortised on an actuarial basis over the reporting periods expected to benefit from the expenditure. Since the provision for unearned premium is now zero, the deferred acquisition cost asset is also now zero.

## 1.30 Provisions and contingent liabilities

### HIH Claims Support Scheme liability

The HCS Scheme was established by the Australian Government following the collapse of the HIH Group of companies in March 2001. The purpose of the Scheme is to provide financial assistance to eligible HIH policy-holders affected by the collapse of the group. Initial funding of \$640 million was provided by special appropriation through the *Appropriation (HIH Assistance) Act 2001*.

HIH Claims Support Limited was established by the Insurance Council of Australia as a not-for-profit company in May 2001 to manage claims made under the Scheme and to operate the HIH Claims Support Trust on behalf of the Australian Government. As the sole beneficiary of the trust the Australian Government is entitled to any residual balance of the trust.

Since 2001, a total of 10,900 claims have been granted eligibility for assistance. Each year an actuarial review of the claims portfolio has been conducted to assess the development of claims reserves and to estimate the overall liability associated with the Scheme portfolio. In 2006, approval was sought and obtained to increase the Scheme appropriation to a total of \$861 million to meet the estimated cost of the Scheme portfolio. This additional funding is provided through annual appropriations.

The Australian Government Actuary reviews the portfolio annually to reassess the estimated Scheme liability in future years. The most recent review has indicated that the overall cost of

the Scheme is estimated to be \$735.9 million in discounted terms. This amount incorporates an allowance for future inflation and covers the expected cost of past and future claim payments and associated expenses of managing the Scheme.

### 1.31 Administered financial instruments

AASB 139 — *Financial Instruments: Recognition and Measurement* requires financial instruments to be classified into one of four categories. The financial instruments specific to the Treasury's administered items are classified in three of the four categories as detailed below.

- Loans and receivables (these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market):
  - IMF related monies receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
  - the Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
  - the Guarantee Scheme for State and Territory Borrowing contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method).
- Available-for-sale financial assets:
  - investments in development banks (measured initially at cost or notional cost and then measured at fair value);
  - the IMF quota (measured at cost); and
  - Investments in Government Entities (measured at fair value based on net asset position of the entity at 30 June 2010).
- Financial liabilities:
  - the SDR allocation (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
  - promissory notes (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
  - IMF related monies payable (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
  - the Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation (measured initially at fair value and then measured at amortised cost using the effective interest rate method).

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Although a number of the Treasury's financial instruments are classified as 'available-for-sale', the Treasury does not hold these instruments for the purposes of trading. Such assets that can be reliably measured at reporting date are valued at fair value, otherwise, at cost.

Promissory notes are financial liabilities that are required to be measured at amortised cost using the effective interest rate method. The contractual terms of the promissory notes are non-interest bearing making the effective interest rate zero. Therefore, the measurement would be the initial value less any repayments plus or minus movements in exchange rates as a result of translation on the balance date.

The Guarantee Scheme for Large Deposits and Wholesale Funding and the Guarantee of State and Territory Borrowing contractual fee receivable represents the requirement under AASB 139 — *Financial Instruments: Recognition and Measurement* for the Treasury to recognise up-front, its entitlements under the financial guarantee contract to revenue received or receivable from authorised deposit-taking institutions over the contracted guarantee period. Conversely, the Treasury is required to recognise a corresponding initial liability for its contractual obligation to provide a guarantee service over the period covered by each guarantee contract (analogous to unearned income).

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 22 on pages 224 to 230.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above and are disclosed at Note 24 on page 232.

## **Note 2: Events occurring after reporting date**

The RBA has not declared a dividend to Government for 2009-10 (2008-09 \$5.977 billion).

On 1 July 2010 SBR became available for use and will commence depreciating from this date.

On 20 July 2010 the Treasury paid \$4,921,557 under the special appropriation provided for in the *Car Dealership Financing Guarantee Appropriation Act 2009*. The payment was made to extinguish the remaining liabilities of the OzCar SPV Trust over and above the available assets of the Trust. No further calls on the guarantee are expected and the Trust will be wound up during September 2010.

### Note 3: Expenses

	2010 \$'000	2009 \$'000
<b>Note 3A: Employee benefits</b>		
Wages and salaries	87,672	79,743
Superannuation		
Defined benefit plan	12,065	12,905
Defined contribution plan	3,604	2,643
Leave and other entitlements	12,381	9,540
Other	2,891	2,744
<b>Total employee benefits</b>	<b>118,613</b>	<b>107,575</b>
<b>Note 3B: Suppliers</b>		
<b>Goods and services</b>		
Communications	1,536	1,453
Computers	3,055	2,443
Conferences and training	2,675	3,378
Consultants and contractors	11,779	10,987
Fees - audit, accounting, bank and other	987	1,193
Insurance	1,086	698
Legal	4,310	3,694
Property operating expenses	11,316	11,162
Publications and subscriptions	1,325	1,193
Travel	5,776	6,083
Other	4,470	4,762
<b>Total goods and services</b>	<b>48,315</b>	<b>47,046</b>
<b>Goods and services are made up of:</b>		
Provision of goods from:		
related entities	103	83
external entities	3,199	1,798
Rendering of services from:		
related entities	11,091	7,013
external entities	24,883	29,285
Operating lease rentals <sup>1</sup>	8,145	8,403
Workers compensation premiums	894	464
<b>Total supplier expenses</b>	<b>48,315</b>	<b>47,046</b>
<b>Note 3C: Grants</b>		
Grants paid		
Public sector:		
Australian Government entities	475	18
Private sector:		
Non-profit organisations	2,509	3,230
For-profit organisations	2	-
<b>Total grants</b>	<b>2,986</b>	<b>3,248</b>

<sup>1</sup> Operating lease rentals comprise minimum lease payments only.

Note 3: Expenses (continued)

	2010	2009
	\$'000	\$'000
<b>Note 3D: Depreciation and amortisation</b>		
<b>Depreciation</b>		
Other plant and equipment	1,656	1,472
Buildings - leasehold improvements	1,751	1,460
<b>Total depreciation</b>	<b>3,407</b>	2,932
<b>Amortisation</b>		
Intangibles - computer software	840	551
Assets held under finance lease	121	708
<b>Total amortisation</b>	<b>961</b>	1,259
<b>Total depreciation and amortisation</b>	<b>4,368</b>	4,191
<b>Note 3E: Finance costs</b>		
Leases	35	94
<b>Total finance costs</b>	<b>35</b>	94
<b>Note 3F: Write-down and impairment of assets</b>		
Non-financial assets		
Plant and equipment	28	7
Intangibles	-	26
<b>Total write-down and impairment of assets</b>	<b>28</b>	33
<b>Note 3G: Net losses from sale of assets</b>		
Other plant and equipment		
Proceeds from disposal	(9)	(12)
Net book value of assets disposed	46	21
<b>Net losses from sale of assets</b>	<b>37</b>	9

#### Note 4: Income

	2010	2009
	\$'000	\$'000
<b>Note 4A: Sale of goods and rendering of services</b>		
Provision of goods to:		
external entities	1	-
Rendering of services to:		
related entities	11,611	7,853
external entities	907	878
Operating lease rental	88	92
<b>Total sale of goods and rendering of services</b>	<b>12,607</b>	<b>8,823</b>
<b>Note 4B: Other revenues</b>		
Other	742	290
<b>Total other revenues</b>	<b>742</b>	<b>290</b>
<b>Note 4C: Other gains</b>		
Resources received free of charge	546	534
<b>Total other gains</b>	<b>546</b>	<b>534</b>
<b>Note 4D: Revenue from Government Appropriations</b>		
Departmental outputs	162,941	145,931
Other	2,998	2,749
<b>Total revenue from Government</b>	<b>165,939</b>	<b>148,680</b>

#### Note 5: Other comprehensive income

	2010	2009
	\$'000	\$'000
Changes in asset revaluation reserves	-	(30)
<b>Total</b>	<b>-</b>	<b>(30)</b>

Note 6: Financial assets

	2010	2009
	\$'000	\$'000
<b>Note 6A: Cash and cash equivalents</b>		
<b>Cash</b>		
Special Accounts	264	586
Departmental (other than special accounts)	932	781
<b>Total cash</b>	<b>1,196</b>	<b>1,367</b>
<b>Note 6B: Trade and other receivables</b>		
Goods and services		
- related entities	1,467	2,475
- external entities	1,134	539
Total goods and services	2,601	3,014
Net GST receivable from the ATO	416	732
Appropriations receivable		
- for existing outputs	74,237	73,047
<b>Total trade and other receivables (net)</b>	<b>77,254</b>	<b>76,793</b>
All receivables are current assets		
<b>Receivables (gross) are aged as follows:</b>		
Not overdue	76,470	76,275
Overdue by:		
0 to 30 days	688	398
31 to 60 days	87	69
61 to 90 days	-	34
More than 90 days	9	17
<b>Total receivables (gross)</b>	<b>77,254</b>	<b>76,793</b>

## Note 7: Non-financial assets

	2010 \$'000	2009 \$'000
<b>Note 7A: Land and buildings</b>		
<b>Leasehold improvements - fair value</b>		
Under construction	206	137
At fair value	18,394	18,312
Accumulated depreciation	(9,886)	(8,135)
<b>Total leasehold improvements - fair value</b>	<b>8,714</b>	<b>10,314</b>
<b>Total land and buildings</b>	<b>8,714</b>	<b>10,314</b>

No indicators of impairment were found for land and buildings. No land and buildings are expected to be sold or disposed of within the next 12 months. All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17 on page 188.

<b>Note 7B: Plant and equipment</b>		
<b>Plant and equipment - fair value</b>		
Under construction	-	169
At fair value	11,212	9,791
Accumulated depreciation	(3,626)	(2,131)
<b>Total plant and equipment - fair value</b>	<b>7,586</b>	<b>7,829</b>
<b>Plant and equipment under finance lease</b>		
Under finance lease	260	2,347
Accumulated amortisation	(226)	(2,191)
<b>Total plant and equipment under finance lease</b>	<b>34</b>	<b>156</b>
<b>Total plant and equipment</b>	<b>7,620</b>	<b>7,985</b>

No indicators of impairment were found for plant and equipment. Other than those items in held for sale for 2009, no other plant and equipment is expected to be sold or disposed of within the next 12 months. There are a number of finance leases due to expire within the next 12 months. The assets associated with these leases will be returned. All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17 on page 188.

<b>Note 7C: Intangibles</b>		
<b>Computer software - at cost</b>		
Under construction	32,716	17,970
At cost	7,197	4,429
Accumulated amortisation	(3,202)	(2,749)
<b>Total computer software - at cost</b>	<b>36,711</b>	<b>19,650</b>
<b>Total intangibles</b>	<b>36,711</b>	<b>19,650</b>

No indicators of impairment were found for Intangibles. The development of software for the SBR project is the majority of asset under construction. The SBR software is expected to be finalised and available for use on 1 July 2010.

<b>Note 7D: Assets held for sale</b>		
<b>Assets held for sale - fair value</b>		
At fair value	-	39
Accumulated amortisation	-	(15)
<b>Total assets held for sale - fair value</b>	<b>-</b>	<b>24</b>
<b>Total assets held for sale</b>	<b>-</b>	<b>24</b>



**Note 7: Non-financial assets (continued)**

**Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2009-10)**

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Assets held for sale \$'000	Total \$'000
<b>As at 1 July 2009:</b>					
Gross book value	18,449	12,292	22,399	39	53,179
Accumulated depreciation amortisation	(8,135)	(4,307)	(2,749)	(15)	(15,206)
<b>Net book value 1 July 2009</b>	<b>10,314</b>	<b>7,985</b>	<b>19,650</b>	<b>24</b>	<b>37,973</b>
<b>Additions</b>					
By purchase	2,306	226	17,336	-	19,868
By finance lease	-	-	-	-	-
<b>Net revaluation increment/(decrement)</b>	-	-	-	-	-
<b>Depreciation/amortisation expense</b>	<b>(1,751)</b>	<b>(1,777)</b>	<b>(840)</b>	-	<b>(4,368)</b>
<b>Recoverable amount write-downs</b>	-	-	-	-	-
<b>Disposals</b>					
Other disposals	-	(28)	-	(16)	(44)
<b>Transfers</b>	<b>(2,155)</b>	<b>1,214</b>	<b>565</b>	<b>(8)</b>	<b>(384)</b>
<b>As at 30 June 2010:</b>					
Gross book value	18,600	11,473	39,913	-	69,986
Accumulated depreciation/amortisation	(9,886)	(3,853)	(3,202)	-	(16,941)
<b>Net book value 30 June 2010</b>	<b>8,714</b>	<b>7,620</b>	<b>36,711</b>	-	<b>53,045</b>

**Note 7: Non-financial assets (continued)****Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2008-09)**

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Assets held for sale \$'000	Total \$'000
<b>As at 1 July 2008:</b>					
Gross book value	17,117	9,274	2,997	12	29,400
Accumulated depreciation/amortisation	(6,675)	(2,210)	(2,209)	(9)	(11,103)
<b>Opening net book value</b>	<b>10,442</b>	<b>7,064</b>	<b>788</b>	<b>3</b>	<b>18,297</b>
<b>Additions</b>					
By purchase	2,910	1,941	19,060	-	23,911
By finance lease	-	53	-	-	53
<b>Net revaluation increment/(decrement)</b>					
Depreciation/amortisation expense	(1,460)	(30)	-	-	(30)
Recoverable amount write-downs	-	(2,180)	(551)	-	(4,191)
Disposals	-	(7)	(26)	-	(33)
Other disposals	-	(6)	-	(2)	(8)
<b>Transfers</b>					
Other disposals	(1,578)	1,150	379	23	(26)
<b>As at 30 June 2009:</b>					
Gross book value	18,449	12,292	22,399	39	53,179
Accumulated depreciation/amortisation	(8,135)	(4,307)	(2,749)	(15)	(15,206)
<b>Closing net book value</b>	<b>10,314</b>	<b>7,985</b>	<b>19,650</b>	<b>24</b>	<b>37,973</b>

**Note 7: Non-financial assets (continued)**

**Table B: Property, plant and equipment and intangibles held under finance lease (2009-10)**

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2010:</b>				
Gross book value	-	260	-	260
Accumulated depreciation/amortisation	-	(226)	-	(226)
<b>Closing net book value</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>34</b>
<b>As at 30 June 2009:</b>				
Gross book value	-	2,347	-	2,347
Accumulated depreciation/amortisation	-	(2,191)	-	(2,191)
<b>Closing net book value</b>	<b>-</b>	<b>156</b>	<b>-</b>	<b>156</b>

**Table C: Property, plant and equipment and intangibles under construction (2009-10)**

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2010:</b>				
Gross book value	206	-	32,716	32,922
<b>As at 30 June 2009:</b>				
Gross book value	137	169	17,970	18,276

	2010 \$'000	2009 \$'000
<b>Note 7E: Other non-financial assets</b>		
Prepayments	1,799	1,042
<b>Other non-financial assets are represented by:</b>		
No more than 12 months	1,670	955
More than 12 months	129	87
<b>Total other non-financial assets</b>	<b>1,799</b>	<b>1,042</b>

## Note 8: Payables

	2010	2009
	\$'000	\$'000
<b>Note 8A: Suppliers</b>		
Trade creditors		
- related entities	408	1,316
- external entities	1,254	2,537
Total trade creditors	1,662	3,853
<b>Total supplier payables</b>	1,662	3,853
All supplier payables are expected to be settled within 12 months		
<b>Note 8B: Other payables</b>		
Salaries and wages	1,773	1,374
Superannuation	311	256
Other creditors	7,602	3,753
Prepayments received/unearned revenue	2,412	1,238
<b>Total other payables</b>	12,098	6,621
<b>Other payables are represented by:</b>		
No more than 12 months	12,091	6,609
More than 12 months	7	12
<b>Total other payables</b>	12,098	6,621

Note: Settlement is usually made net 30 days.

## Note 9: Interest bearing liabilities

	2010	2009
	\$'000	\$'000
<b>Note 9: Leases</b>		
Finance leases:	40	233
Payable:		
Within one year		
Minimum lease payments	41	201
Deduct: future finance charges	(1)	(8)
<b>Total leases payable within one year</b>	<b>40</b>	<b>193</b>
In one to five years		
Minimum lease payments	-	41
Deduct: future finance charges	-	(1)
<b>Total leases payable within one year to five years</b>	<b>-</b>	<b>40</b>
<b>Finance leases recognised on the balance sheet</b>	<b>40</b>	<b>233</b>

Note: Finance leases exist in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging 2.75 years, with a maximum of 3.25 years. The interest rate implicit in the leases averaged 5.92 per cent (2009: 6.24 per cent). The lease assets secure the lease liabilities. The Treasury guarantees the residual values of all assets leased. There are no contingent rentals.

## Note 10: Provisions

	2010	2009
	\$'000	\$'000
<b>Note 10: Employee provisions</b>		
Leave	38,920	35,976
<b>Aggregate employee benefit liability</b>	<b>38,920</b>	<b>35,976</b>
Other employee entitlements	190	81
<b>Total employee provisions</b>	<b>39,110</b>	<b>36,057</b>
<b>Employee provisions are expected to be settled in</b>		
No more than 12 months	10,937	9,955
More than 12 months	28,173	26,102
<b>Total employee provisions</b>	<b>39,110</b>	<b>36,057</b>

## Note 11: Cash flow reconciliation

	2010	2009
	\$'000	\$'000
<b>Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement</b>		
<b>Cash and cash equivalents as per</b>		
Cash flow statement	1,196	1,367
Balance sheet	1,196	1,367
<b>Reconciliation of net cost of services to net cash from operating activities</b>		
Net cost of services	5,452	(3,869)
<b>Adjustments for non-cash items</b>		
Depreciation/amortisation	4,368	4,191
Loss on disposal of non-current assets	37	9
Net write down of non-financial assets	28	33
<b>Changes in assets/liabilities</b>		
(Increase)/decrease in net receivables	(461)	(3,323)
(Increase)/decrease in other non financial assets	(757)	401
Increase/(decrease) in provisions	3,053	2,424
Increase/(decrease) in other payables	5,477	1,461
Increase/(decrease) in supplier payables	(2,191)	1,064
<b>Net cash from/(used by) operating activities</b>	<b>15,006</b>	<b>2,391</b>

Note: Figures for the comparative year differ from what was published in the 2008-09 annual report due to reclassification of certain employee entitlements from provisions to payables.

## Note 12: Contingent liabilities and assets

	Other		Total	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>Contingent liabilities</b>				
Balance from previous period	248	255	248	255
New	255	224	255	224
Obligations expired/crystallised	(231)	(231)	(231)	(231)
<b>Total contingent liabilities</b>	<b>272</b>	<b>248</b>	<b>272</b>	<b>248</b>
<b>NET CONTINGENT LIABILITIES</b>	<b>272</b>	<b>248</b>	<b>272</b>	<b>248</b>

210

### Quantifiable contingencies

The schedule of contingencies reports 'other' liabilities of \$271,856 (2009: \$248,224). This amount represents an estimate of the Treasury's liability in respect of studies assistance.

### Unquantifiable contingencies

As at 30 June 2010, the Treasury had a number of legal claims against it. The Treasury has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

The courts may award legal costs against the Treasury in the event it is unsuccessful in an action before the courts. As there is uncertainty over the outcome of outstanding and pending court cases, duration of court cases and the legal costs of the opposing party, these costs cannot be reliably measured.

#### Remote contingencies

The Treasury's lease on its current premises contains a make good clause which has been estimated by an independent valuer at \$2.7 million. The Treasury has assessed the likelihood of the make good provision being required and has deemed it as remote.

As at 30 June 2010, the Treasury has a number of contracts which may give rise to contingent liabilities based on certain events occurring. The Treasury has assessed the likelihood of such events occurring as being remote and unquantifiable.

## Note 13: Executive remuneration

### Note 13A: Actual remuneration paid to senior executives

Total remuneration includes actual salary, all allowances, an employer superannuation component, leave accrued during the period, vehicle costs and fringe benefits tax.

	2010	2009
The number of executives who received or were due:		
less than \$145,000*	2	3
\$145,000 to \$159,999	4	2
\$160,000 to \$174,999	1	2
\$175,000 to \$189,999	2	2
\$190,000 to \$204,999	5	11
\$205,000 to \$219,999	20	13
\$220,000 to \$234,999	16	18
\$235,000 to \$249,999	12	6
\$250,000 to \$264,999	5	8
\$265,000 to \$279,999	4	3
\$295,000 to \$309,999	1	1
\$310,000 to \$324,999	1	3
\$325,000 to \$339,999	1	1
\$340,000 to \$354,999	2	-
\$355,000 to \$369,999	1	-
\$370,000 to \$384,999	1	2
\$385,000 to \$399,999	1	-
\$430,000 to \$444,999	1	1
\$535,000 to \$549,999	1	-
\$625,000 to \$639,999	-	1
<b>Total</b>	<b>81</b>	<b>77</b>

\* Excluding acting arrangements and part-year service.

### Total expense recognised in relation to Senior Executive employment

Short-term employee benefits:		
Salary (including annual leave taken)	\$15,851,649	\$14,215,420
Changes in annual leave provisions	\$158,435	\$194,648
Performance bonus	\$0	\$57,525
Other <sup>1</sup>	\$248,640	\$261,749
Total Short-term employee benefits	<b>\$16,258,724</b>	<b>\$14,729,342</b>
Superannuation (post-employment benefits)	<b>\$2,482,755</b>	<b>\$2,745,183</b>
Other long-term benefits	<b>\$478,804</b>	<b>\$669,255</b>
<b>Total</b>	<b>\$19,220,283</b>	<b>\$18,143,780</b>

The comparative aggregate total amount has been revised and does not match what was published in the 2008-09 annual report due to new disclosure requirements.

1 'Other' includes motor vehicle allowances and other allowances.



Note 13B: Salary packages for senior executives as at 30 June

	As at 30 June 2010			As at 30 June 2009		
	No. SES	Base salary (including annual leave)	Total remuneration package	No. SES	Base salary (including annual leave)	Total remuneration package
Total remuneration*:						
\$160,000 to \$174,999	-	-	-	2	163,698	171,374
\$175,000 to \$189,999	3	173,064	185,563	5	166,293	181,564
\$190,000 to \$204,999	8	169,758	196,704	19	174,451	200,217
\$205,000 to \$219,999	30	181,170	209,929	22	178,775	215,944
\$220,000 to \$234,999	16	194,877	225,967	8	189,811	227,632
\$235,000 to \$249,999	4	206,652	226,076	7	205,408	246,155
\$250,000 to \$264,999	6	218,147	242,382	2	220,672	255,338
\$265,000 to \$279,999	2	225,990	275,665	4	214,407	271,327
\$280,000 to \$294,999	2	241,878	284,014	3	251,616	287,683
\$310,000 to \$324,999	2	273,160	319,164	4	268,043	317,567
\$325,000 to \$339,999	3	290,208	336,666	1	281,755	325,149
\$340,000 to \$354,999	-	-	-	2	281,755	346,064
\$355,000 to \$369,999	1	313,645	368,253	-	-	-
\$370,000 to \$384,999	1	327,184	383,371	1	304,510	375,589
\$385,000 to \$399,999	-	-	-	1	317,654	393,021
\$445,000 to \$459,999	1	402,670	452,407	-	-	-
\$505,000 to \$519,999	-	-	-	1	390,940	505,175
\$520,000 to \$534,999	1	402,670	521,148	-	-	-
<b>Total</b>	<b>80</b>			<b>82</b>		

\*Excludes executive level staff acting in senior executive positions.

Note: Non-salary elements available to Senior Executives include:

- a) Agreed base salary (including annual leave).
- b) Motor vehicle allowance.
- c) Superannuation.

Total number of SES shown in the above table is as at 30 June of the respective year and does not match the total represented in Table 13A which reflects SES numbers over the year as opposed to as at 30 June. Long service leave values have been excluded in the table above. No performance bonuses were paid by the Treasury in 2009-10. Performance bonuses paid in 2008-09 have been excluded.

## Note 14: Remuneration of auditors

	2010	2009
	\$'000	\$'000
Financial statement audit services are provided free of charge to the Treasury		
The fair value of the services provided was:		
The Treasury	436	395
<b>Total</b>	<b>436</b>	<b>395</b>

Note: The above amounts are exclusive of GST. No other services were provided by the Auditor-General.

## Note 15: Average staffing levels

	2010	2009
The Treasury	1,007	936
<b>Total</b>	<b>1,007</b>	<b>936</b>

## Note 16: Financial instruments

### Note 16A: Categories of financial instruments

	2010	2009
	\$'000	\$'000
<b>Financial assets</b>		
Loans and receivables		
Cash and cash equivalents	1,196	1,367
Trade receivables	2,601	3,014
<b>Carrying amount of financial assets</b>	<b>3,797</b>	<b>4,381</b>
<b>Financial liabilities</b>		
Liabilities at amortised cost		
Finance leases	40	233
Payables - suppliers	1,662	3,853
Other payables	7,602	3,753
<b>Carrying amount of financial liabilities</b>	<b>9,304</b>	<b>7,839</b>

Note: Implicit interest rate on finance leases for 2010 is 5.92 per cent (2009: 6.24 per cent).

### Note 16B: Net income and expense from financial liabilities

	2010	2009
	\$'000	\$'000
<b>Liabilities at amortised cost</b>		
Interest expense	(35)	(94)
<b>Net gain/(loss) financial liabilities - at amortised cost</b>	<b>(35)</b>	<b>(94)</b>
<b>Net gain/(loss) from financial liabilities</b>	<b>(35)</b>	<b>(94)</b>

**Note 16C: Net fair values of financial assets and liabilities**

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

The net fair values of the finance leases are based on discounted cash flows using current interest rates for liabilities with similar risk profiles. The Treasury enters into finance lease arrangements in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging 2.75 years, with a maximum of 3.25 years. The Treasury guarantees the residual values of all assets leased and there are no contingent rentals.

The net fair values for trade creditors and other liabilities are approximated by their carrying amounts.

**Note 16D: Credit risk exposures**

The Treasury is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2010: \$2,601,481 and 2009: \$3,014,090). The Treasury has assessed the risk of default on payment as being minimal.

Other government agencies and staff members make up the majority of the Treasury's debtors. To aid the Treasury to manage its credit risk there are internal policies and procedures that guide employees on debt recovery techniques that are to be applied.

The Treasury holds no collateral to mitigate against credit risk.

**Credit quality of financial instruments not past due or individually determined as impaired**

	<b>Not past due nor impaired 2010 \$'000</b>	Not past due nor impaired 2009 \$'000	<b>Past due or impaired 2010 \$'000</b>	Past due or impaired 2009 \$'000
<b>Loans and receivables</b>				
Cash and cash equivalents	1,196	1,367	-	-
Trade receivables	1,817	2,496	784	518
<b>Total</b>	<b>3,013</b>	3,863	<b>784</b>	518

Ageing of financial assets that are past due but not impaired for 2010

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
<b>Loans and receivables</b>					
Trade receivables	688	87	-	9	784
<b>Total</b>	<b>688</b>	<b>87</b>	<b>-</b>	<b>9</b>	<b>784</b>

Ageing of financial assets that are past due but not impaired for 2009

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
<b>Loans and receivables</b>					
Trade receivables	398	69	34	17	518
<b>Total</b>	<b>398</b>	<b>69</b>	<b>34</b>	<b>17</b>	<b>518</b>

**Note 16E: Liquidity risk**

The Treasury's financial liabilities are payables and finance leases. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to the appropriation funding mechanisms available to the Treasury and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Treasury is appropriated funding from the Australian Government. The Treasury manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Treasury has policies in place to ensure timely payments are made when due and has no past experience of default.

Maturity of financial liabilities

	On demand 2010 \$'000	within 1 year 2010 \$'000	1 to 2 years 2010 \$'000	2 to 5 years 2010 \$'000	Total 2010 \$'000
<b>Liabilities at amortised cost</b>					
Finance leases	-	40	-	-	40
Payables - suppliers	-	1,662	-	-	1,662
Other payables	-	7,595	5	2	7,602
<b>Total</b>	-	9,297	5	2	9,304

  

	On demand 2009 \$'000	within 1 year 2009 \$'000	1 to 2 years 2009 \$'000	2 to 5 years 2009 \$'000	Total 2009 \$'000
<b>Liabilities at amortised cost</b>					
Finance leases	-	193	40	-	233
Payables - suppliers	-	3,853	-	-	3,853
Other payables	-	3,741	5	7	3,753
<b>Total</b>	-	7,787	45	7	7,839

Note 16F: Market risk

The Treasury holds only basic financial instruments that do not expose the department to certain market risks.

The only interest-bearing items on the balance sheet are finance leases. All finance leases entered into bear interest at a fixed interest rate and will not fluctuate due to changes in the market interest rate. Current implicit interest rate is 5.92 per cent (2009: 6.24 per cent).

Note 17: Income administered on behalf of Government

	2010 \$'000	2009 \$'000
<b>Non-taxation revenue</b>		
<b>Note 17A: Interest</b>		
Gross IMF remuneration	2,314	3,833
Less: Burden sharing	(78)	(86)
Add: Burden sharing refunds	-	-
Net IMF remuneration	2,236	3,747
Other interest	-	70
<b>Total interest</b>	2,236	3,817
<b>Note 17B: Dividends</b>		
Reserve Bank of Australia	5,976,709	1,402,968
<b>Total dividends</b>	5,976,709	1,402,968
<b>Note 17C: Sale of goods and rendering of services</b>		
GST administration fees - external entities	564,222	630,480
Guarantee Scheme for Large Deposits and Wholesale Funding Fee	1,265,118	476,415
Guarantee of State and Territory Borrowing	101,647	-
<b>Total sale of goods and rendering of services</b>	1,930,987	1,106,895
<b>Note 17D: COAG receipts from government agencies</b>		
Building Australia Fund receipts	411,000	1,005,000
Health and Hospital Fund receipts	117,925	109,200
Education and Innovation Fund receipts	28,724	-
Interstate road transport receipts	60,823	8,790
Non-government schools receipts	3,021,461	937,282
<b>Total COAG receipts from government agencies</b>	3,639,933	2,060,272
<b>Note 17E: Other revenue</b>		
Write back of HCS Scheme	3,119	42,634
HIH Group liquidation proceeds	53,776	22,860
State cellar door subsidy savings	115,926	68,723
Other revenue	4,263	2,999
<b>Total other revenue</b>	177,084	137,216
<b>Gains</b>		
<b>Note 17F: Foreign exchange</b>		
IMF SDR allocation	289,805	-
IMF maintenance of value	1,136,045	-
IMF quota revaluation	(582,170)	-
IFIs revaluation	(55,445)	-
Other	2,626	-
<b>Total net foreign exchange gains/(losses)</b>	790,861	-
<b>Note 17G: Other gains</b>		
Resources received free of charge	14,148	-
<b>Total other gains</b>	14,148	-
<b>Total gains administered on behalf of Government</b>	805,009	-
<b>Total income administered on behalf of Government</b>	12,531,958	4,711,168

**Note 18: Expenses administered on behalf of Government**

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>Note 18A: Grants</b>		
Public sector:		
State and Territory Governments	<b>84,285,577</b>	51,583,434
Payment of COAG receipts from government agencies	<b>3,658,638</b>	2,060,272
Other grants	<b>30,000</b>	(157)
<b>Total grants</b>	<b>87,974,215</b>	53,643,549
<b>Note 18B: Interest</b>		
IMF charges	<b>11,413</b>	14,265
<b>Total Interest</b>	<b>11,413</b>	14,265
<b>Note 18C: Foreign exchange</b>		
IMF SDR allocation	-	102,292
IMF maintenance of value	-	996,192
IMF quota	-	(703,565)
Other	-	8,634
<b>Total net foreign exchange losses/(gains)</b>	-	403,553
<b>Note 18D: Other expenses</b>		
HLIC claims <sup>1</sup>	<b>(79)</b>	(298)
OzCar Special Purpose Vehicle - impairment	<b>4,922</b>	-
Other expenses	<b>9,975</b>	66
<b>Total other expenses</b>	<b>14,818</b>	(232)
<b>Total expenses administered on behalf of Government</b>	<b>88,000,446</b>	54,061,135

<sup>1</sup> HLIC claims expenses include an actuarial adjustment decreasing provision for insurance claims resulting in an offsetting negative expense.

Note 19: Assets administered on behalf of Government

	2010	2009
	\$'000	\$'000
<b>Financial assets</b>		
<b>Note 19A: Cash and cash equivalents</b>		
Cash on hand or on deposits	4,063	8,230
<b>Total cash and cash equivalents</b>	<b>4,063</b>	<b>8,230</b>
<b>Note 19B: Receivables</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	2,840,078	2,660,585
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	106,442	83,730
Guarantee of State and Territory Borrowing contractual fee receivable	482,830	-
Guarantee of State and Territory Borrowing fee receivable	10,571	-
Net GST receivable from the ATO	33	9
HLIC premiums receivable	43	29
IMF related moneys owing	380	532
IMF maintenance of value	1,136,045	-
RBA dividend receivable	750,000	-
<b>Total receivables (gross)</b>	<b>5,326,422</b>	<b>2,744,885</b>
<b>Receivables were aged as follows:</b>		
Not overdue	5,326,422	2,744,885
<b>Total receivables (gross)</b>	<b>5,326,422</b>	<b>2,744,885</b>



**Note 19: Assets administered on behalf of Government (continued)**

	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<b>Note 19C: Investments</b>		
<b>International financial institutions</b>		
Asian Development Bank	<b>248,148</b>	273,940
European Bank for Reconstruction and Development	<b>89,698</b>	91,288
International Bank for Reconstruction and Development	<b>213,248</b>	223,997
International Finance Corporation	<b>55,531</b>	58,330
Multilateral Investment Guarantee Agency	<b>7,276</b>	7,642
<b>Total international financial institutions</b>	<b>613,901</b>	655,197
<b>Australian Government entities</b>		
Reserve Bank of Australia	<b>11,144,000</b>	18,502,000
Australian Reinsurance Pool Corporation	<b>604,460</b>	551,177
<b>Total Australian Government entities</b>	<b>11,748,460</b>	19,053,177
<b>Total investments</b>	<b>12,362,361</b>	19,708,374
<b>Note 19D: Other investments</b>		
IMF quota	<b>5,601,246</b>	6,183,416
OzCar Special Purpose Vehicle <sup>1</sup>	-	-
<b>Total Other Investments</b>	<b>5,601,246</b>	6,183,416
<b>Total investments and other investments</b>	<b>17,963,607</b>	<b>25,891,790</b>
<b>Total financial assets</b>	<b>23,294,092</b>	28,644,905
<b>Non-financial assets</b>		
<b>Note 19E: Other</b>		
Prepayments - Infrastructure	<b>57,346</b>	-
Prepayments - GST payments to States and Territories	<b>488,000</b>	-
<b>Total other</b>	<b>545,346</b>	-
<b>Total non-financial assets</b>	<b>545,346</b>	-
<b>Total assets administered on behalf of Government</b>	<b>23,839,438</b>	<b>28,644,905</b>

1 An administered investment with a nil balance has been recorded to reflect the Australian Government's control of the OzCar SPV.

## Note 20: Liabilities administered on behalf of Government

	2010 \$'000	2009 \$'000
<b>Note 20A: Loans</b>		
IMF promissory notes	4,830,790	3,834,696
Other promissory notes	52,103	54,729
<b>Total loans</b>	<b>4,882,893</b>	<b>3,889,425</b>
Payable:		
Within one year	-	-
In one to five years		
In more than five years	4,882,893	3,889,425
<b>Total loans</b>	<b>4,882,893</b>	<b>3,889,425</b>
<b>Note 20B: Grants</b>		
COAG grants payable	395,306	558,917
<b>Total grants</b>	<b>395,306</b>	<b>558,917</b>
Total grants - are expected to be settled in:		
No more than 12 months	395,306	558,917
More than 12 months	-	-
<b>Total grants</b>	<b>395,306</b>	<b>558,917</b>
<b>Note 20C: Other payables</b>		
GST appropriation payable	33	9
IMF SDR allocation <sup>1</sup>	5,454,469	899,016
IMF maintenance of value	-	996,192
IMF related monies owing	2,213	651
OzCar Special Purpose Vehicle - Guaranteed liabilities	4,922	-
Other	9,210	1
<b>Total other payables</b>	<b>5,470,847</b>	<b>1,895,869</b>
Total other payables are expected to be settled in:		
No more than 12 months	14,165	10
More than 12 months	5,456,682	1,895,859
<b>Total other payables</b>	<b>5,470,847</b>	<b>1,895,869</b>
<b>Note 20D: Unearned income</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	2,840,078	2,660,585
Guarantee of State and Territory borrowing contractual guarantee service obligation	482,830	-
<b>Total unearned income</b>	<b>3,322,908</b>	<b>2,660,585</b>

1 The IMF allocated additional SDRs during the global financial crisis to increase the liquidity of member countries. This resulted in an increase in Australia's SDR allocation of A\$4.8 billion.

Note 20: Liabilities administered on behalf of Government (continued)

	2010 \$'000	2009 \$'000
<b>Note 20E: Other provisions</b>		
Provision for insurance claims	-	79
Provision for HCS Scheme	30,540	38,227
<b>Total other provisions</b>	<b>30,540</b>	<b>38,306</b>
Other provisions are expected to be settled in:		
No more than 12 months	-	-
More than 12 months	30,540	38,306
<b>Total other provisions</b>	<b>30,540</b>	<b>38,306</b>
<b>Total liabilities administered on behalf of Government</b>	<b>14,102,494</b>	<b>9,043,102</b>

Note 21: Administered reconciliation table

	Notes	2010 \$'000	2009 \$'000
<b>Opening administered assets less administered liabilities as at 1 July</b>		<b>19,601,802</b>	12,457,772
Adjustment for change in accounting policies			
- International Financial Institutions		-	(55,584)
Adjustment for change in accounting policies			
- HIH Claims Support Limited		-	1,499
<b>Adjusted opening administered assets less administered liabilities</b>		<b>19,601,802</b>	12,403,687
Plus administered income	17	12,531,958	4,711,168
Less administered expenses	18	(88,000,446)	(54,061,135)
Administered transfers to/from Australian Government:			
Appropriation transfers from OPA:			
Annual appropriations for administered expenses		30,742	615,825
Administered assets and liabilities appropriations		601	65,749
Special appropriations (limited)		-	-
Special appropriations (unlimited)		61,712,765	44,177,404
Special Account - COAG Reform Fund		26,324,449	5,928,084
Refunds of receipts (s28 FMA)		20	1
Transfers to OPA		(15,413,838)	(2,208,912)
Restructuring		253,604	-
Administered investments - gains/(losses)		(7,304,717)	7,969,931
<b>Closing administered assets less administered liabilities as at 30 June</b>		<b>9,736,944</b>	19,601,802

## Note 22: Administered contingent liabilities and assets

### Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed in the schedule of administered items as quantifiable administered contingencies.

### Unquantifiable administered contingencies

#### Contingent liabilities

##### *Housing Loans Insurance Corporation — guarantee*

The Australian Government sold HLIC on 12 December 1997 and has assumed all residual contingencies. The contingent liability relates to the HLIC's contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale. The principal amount covered by the guarantee and the balances outstanding cannot be determined accurately.

##### *Terrorism insurance — Australian Reinsurance Pool Corporation*

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a reserve for claims and purchase retrocession to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC above the reserve for claims and retrocession placed by the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's liability would otherwise exceed \$10 billion.

##### *Commitment to the expanded IMF New Arrangements to Borrow (NAB)*

Australia has made a line of credit available to the IMF under its NAB since 1998. In line with G-20 Leaders' commitments, Australia has agreed to join with other countries to increase its credit line under an expanded NAB. Australia's contribution to the expanded NAB will be by way of an SDR 4,370 million contingent loan (estimated value AUD\$7.6 billion as at 30 June 2010), replacing Australia's existing SDR 801 million commitment. This will help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds would be drawn upon by the IMF only if needed and would be repaid in full with interest. The principal amount that may be called by the IMF cannot be determined accurately.

##### *Grants to States and Territories*

As the Treasury has responsibility for all payments to the states and territories under the Federal Financial Relations Framework there may exist contingent liabilities which are remote and unquantifiable in relation to some agreements between the relevant agency with policy responsibility and the states and territories. Whilst the Treasury does not bear the risk

of the contingent event, the resultant payment would be made by the Treasury under the Federal Financial Relations Framework.

#### *Standby loan facility for the Government of Indonesia*

Australia has made up to US\$1 billion (estimated value AUD\$1.17 billion, as at 30 June 2010) available to the Government of Indonesia in the form of a standby loan facility, to be drawn down should Indonesia be unable to raise sufficient funds on global capital markets due to the impact of the global financial crisis. The facility was announced in December 2008 and will continue to be available until the end of 2010. A drawdown from the facility will be dependent on a request from the Indonesian Government and subject to certain criteria being met. Any funds provided would be repaid in full. Contributions to the standby loan facility will also be provided by the World Bank, the Asian Development Bank and the Government of Japan. As at 30 June 2010 Indonesia has not requested any drawdown on the facility. Indonesia is being offered the loan at Australia's cost of borrowing which is lower than their own. As such the loan will be considered concessional if it is drawn down by Indonesia. The concessional component of the loan cannot be determined accurately and as such is classified as an unquantifiable contingent liability.

#### *Contingent assets*

##### *HIH Claims Support Scheme*

As the beneficiary of the HIH Claims Support Trust, the Australian Government is entitled to the residual balance of the Trust, after the collection of recoveries. Due to the inherent uncertainty of future recoveries, it is not possible to quantify these amounts accurately. During 2009-10 the Treasury received distributions from the Trust, however the amount and timing of future recoveries and subsequent distributions are unknown.

##### *International Monetary Fund*

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid interest charges on the loans of debtor members and to accumulate precautionary balances in a Special Contingent Account to protect the IMF against losses arising from the failure of a member to repay its overdue principal obligations.

The mechanism works by providing for additions to the rate of charge on IMF loans and deductions to the rate of remuneration for creditor members such as Australia. Resources collected from individual members under the burden sharing mechanism are refundable to them as arrears cases are resolved, or as may be decided by the IMF. Thus, resources collected for unpaid charges are refunded when these charges are eventually settled.

Likewise, precautionary balances held in the Special Contingent Account would be distributed back to members in proportion to their cumulative contributions when there are

no overdue charges or principal balances. The IMF could also decide to make an early distribution.

As there is considerable and inherent uncertainty around the timing and amounts of burden sharing to be refunded to Australia this contingent asset cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

## Significant remote administered contingencies

### Guarantees

The following borrowings have been guaranteed by the Australian Government within the Treasury portfolio:

Borrower	Legislation authorising guarantee	Principal covered by guarantee 2010 \$'000	Balance outstanding 2010 \$'000	Balance outstanding 2009 \$'000
Papua New Guinea	<i>Papua New Guinea 1949 Papua New Guinea 1975 Papua New Guinea Loans Guarantee Act 1975</i>	3,880	3,880	4,480
Commonwealth Bank of Australia <sup>1</sup>	<i>Commonwealth Bank of Australia Act 1959 s117</i>	900,000	900,000	1,800,000
Commonwealth Bank of Australia - Officers Superannuation Corporation <sup>1</sup>	<i>Commonwealth Bank of Australia Act 1959 s117</i>	3,602,000	3,602,000	3,600,000
Financial Claims Scheme	<i>Banking Act 1959 s70C</i>	690,000,000	690,000,000	660,000,000
Guarantee Scheme for Large Deposits and Wholesale Funding	<i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008</i>	162,953,390	162,953,390	139,885,000
Guarantee of State and Territory Borrowing	<i>Guarantee of State and Territory Borrowing Appropriation Act 2009</i>	69,751,850	69,751,850	-
OzCar Special Purpose Vehicle <sup>2</sup>	<i>Car Dealership Financing Guarantee Appropriation Act 2009</i>	139,985	139,985	-
Reserve Bank of Australia <sup>3</sup>	<i>Reserve Bank of Australia Act 1959 s77</i>	57,845,000	57,845,000	76,965,000
<b>Total</b>		<b>985,196,105</b>	<b>985,196,105</b>	<b>882,254,480</b>

- Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 31 December 2009.
- The OzCar SPV had guaranteed liabilities of \$140 million as at 30 June 2010. However, the SPV also held \$136 million is available in cash assets — refer to Note 1.27 for more information.
- The contingent liability for the RBA, relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding capital, reserves, the Bank's distribution to the Commonwealth and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. As at 30 June 2010, notes on issue totaled \$48.8 billion.

### Financial Claims Scheme

The Australian Government has established a Financial Claims Scheme to provide depositors of authorised deposit-taking institutions and general insurance policyholders with timely access to their funds in the event of a financial institution failure.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Financial Claims Scheme. Under the Financial Claims Scheme any payments to eligible depositors or general insurance policyholders will be made out of APRA's Financial Claims Scheme Special Account.

The Early Access Facility for Depositors established under the *Banking Act 1959* provides a mechanism for making payments to depositors under the Government's guarantee of deposits in authorised deposit-taking institutions. The Government announced that, from 12 October 2008, deposits up to \$1 million at eligible authorised deposit-taking institutions would be eligible for coverage under the Financial Claims Scheme. This \$1 million cap will continue until October 2011.

As at 30 June 2010, deposits eligible for coverage under the Financial Claims Scheme were estimated to be approximately \$690 billion.

The Policyholder Compensation Facility established under the *Insurance Act 1973* provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. Amounts available to meet payments and administer this facility, in the event of activation, are capped at \$20 billion per failure for payments to insurance claimants and \$100 million for Financial Claims Scheme administration expenses under the legislation.

Any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there were a shortfall, a levy would be applied to industry to recover the difference between the amount expended and the amount recovered in the liquidation.

### Guarantee Scheme for Large Deposits and Wholesale Funding

The Australian Government announced the guarantee of eligible deposits and wholesale funding for authorised deposit-taking institutions from 12 October 2008 under the Guarantee Scheme for Large Deposits and Wholesale Funding.

On 7 February 2010, the Government announced the closure of the Guarantee Scheme from 31 March 2010. Since then, Australian authorised deposit-taking institutions have been prohibited from issuing any new guaranteed wholesale funding or accepting new guaranteed deposits above \$1 million. Existing guaranteed wholesale funding is guaranteed to maturity. Depositors who covered their balances above \$1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.



The expected liability for deposits under the Guarantee Scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial obligations. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place.

Government expenditure would arise under the large deposit guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

As at 30 June 2010, total liabilities covered by the Guarantee Scheme were estimated at \$163 billion, including \$6.6 billion of large deposits and \$156.4 billion of wholesale funding.

#### Guarantee of State and Territory Borrowing

The Australian Government announced on 25 March 2009 that a voluntary and temporary guarantee would be put in place over state and territory borrowing. The Guarantee of State and Territory Borrowing commenced on 24 July 2009.

The guarantee will close to new issuances of guaranteed liabilities on 31 December 2010. Securities covered by the guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the guarantee is remote and unquantifiable. Government expenditure would arise under the guarantee only in the unlikely event that a State or Territory failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant State or Territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the State or Territory's ability to meet the Government's claim.

As at 30 June 2010, the face value of state and territory borrowings covered by the guarantee was \$69.8 billion.

#### OzCar Special Purpose Vehicle

The OzCar SPV was established as a trust on 2 January 2009 to provide liquidity to eligible car dealers who may have been left without wholesale floor plan financing as a result of the proposed departure of GE Money Motor Solutions and GMAC from the Australian market following the onset of the global financial crisis. As at 30 June 2010, the face value

of borrowings covered by the OzCar SPV guarantee was \$140 million. However, as referred to in Note 1, the Treasury has assessed the financial position of the Trust and recorded a liability of \$4.9 million representing the expected call on the Government's guarantee.

### Note 23: Administered investments

The principal activities of each of the Treasury's administered investments are as follows:

#### Development Banks

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist post-communist, democratic, eastern European countries develop their private sector and capital markets. The EBRD now has operations in 29 countries in Europe and central Asia. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

The Asian Development Bank (ADB) was established in 1966 and has a mandate to reduce poverty and promote general development in its developing member countries. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities are focused in the infrastructure and energy sectors.

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The IBRD provides financing and technical assistance to middle income countries and lends on harder terms than the IDA. The IDA provides concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector.

#### International Monetary Fund

The IMF is an organisation of 187 countries, working to foster global monetary cooperation and exchange rate stability, facilitate the balanced growth of international trade, and provide resources to help members in balance of payments difficulties or to assist with poverty reduction. The IMF undertakes surveillance and annual economic assessments, and provides technical assistance to developing countries.

### Australian Government entities

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value. Fair value has been taken to be the net assets of the entities as at balance date.

### OzCar Special Purpose Vehicle

The OzCar SPV was established as a trust on 2 January 2009 to provide liquidity to eligible car dealers who may have been left without wholesale floor plan financing as a result of the proposed departure of GE Money Motor Solutions and GMAC from the Australian market following the onset of the global financial crisis. The Commonwealth has guaranteed the borrowings of the OzCar SPV. As at 30 June 2010, the OzCar SPV has total assets of \$136.3 million and total liabilities of \$140.8 million.

## Note 24: Administered financial instruments

### Note 24A: Categories of financial instruments

	2010 \$'000	2009 \$'000
Loans and receivables		
Cash and cash equivalents	4,063	8,230
IMF related moneys owing	380	532
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	2,840,078	2,660,585
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	106,442	83,730
Guarantee of State and Territory Borrowing contractual fee receivable	482,830	-
Guarantee of State and Territory Borrowing fee receivable	10,571	-
Net GST receivable from the ATO	33	9
IMF maintenance of value	1,136,045	-
RBA dividend receivable	750,000	-
Other receivable	43	29
	<b>5,330,485</b>	<b>2,753,115</b>
Available for sale financial assets		
International financial institutions	613,901	655,197
Australian Government entities	11,748,460	19,053,177
IMF Quota	5,601,246	6,183,416
	<b>17,963,607</b>	<b>25,891,790</b>
<b>Carrying amount of financial assets</b>	<b>23,294,092</b>	<b>28,644,905</b>
<b>Financial liabilities</b>		
At amortised cost		
Promissory notes	4,882,893	3,889,425
Grant liabilities	395,306	558,917
IMF SDR allocation liability	5,454,469	899,016
Other payables	16,345	652
IMF maintenance of value	-	996,192
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	2,840,078	2,660,585
Guarantee of State and Territory Borrowing contractual guarantee service obligation	482,830	-
GST appropriation payable	33	9
Other liabilities	30,540	38,306
	<b>14,102,494</b>	<b>9,043,102</b>
<b>Carrying amount of financial liabilities</b>	<b>14,102,494</b>	<b>9,043,102</b>

**Note 24B: Net income and expenses from financial assets**

	2010 \$'000	2009 \$'000
<b>Loans and receivables</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	1,265,118	476,415
Guarantee of State and Territory Borrowing	101,647	-
Interest revenue	-	70
<b>Net gain/(loss) loans and receivables</b>	<b>1,366,765</b>	<b>476,485</b>
<b>Available for sale financial assets</b>		
Interest revenue	2,236	3,747
Exchange gain/(loss)	498,430	(292,627)
<b>Net gain/(loss) available for sale financial assets</b>	<b>500,666</b>	<b>(288,880)</b>
<b>Net gain/(loss) from financial assets</b>	<b>1,867,431</b>	<b>187,605</b>

**Note 24C: Net income and expenses from financial liabilities**

	2010 \$'000	2009 \$'000
<b>Financial liabilities - at amortised cost</b>		
IMF charges	(11,413)	(14,265)
Exchange gain/(loss)	292,431	(110,926)
<b>Net gain/(loss) financial liabilities - at amortised cost</b>	<b>281,018</b>	<b>(125,191)</b>
<b>Net gain/(loss) from financial liabilities</b>	<b>281,018</b>	<b>(125,191)</b>

**Note 24D: Net fair value of financial assets and liabilities**

The net fair values of the Treasury's administered financial instruments are equal to the carrying amount. The net fair value of financial assets and liabilities are classified into three levels as follows:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Treasury has no Level 1 administered financial assets or liabilities in 2009-10 and 2008-09.

The net fair value of cash and cash equivalents, Net GST receivable from the ATO and GST appropriation payable are not included in the following tables.

Note 24D: Net fair value of financial assets and liabilities (continued)

	Level 2 in the fair value hierarchy	
	2010 \$'000	2009 \$'000
<b>Financial assets at fair value - Level 2</b>		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	106,442	83,730
Guarantee of State and Territory Borrowing fee receivable	10,571	-
IMF related moneys owing	380	532
IMF maintenance of value	1,136,045	-
RBA dividend receivable	750,000	-
HLIC premiums receivable	43	29
	<b>2,003,481</b>	<b>84,291</b>
<b>Carrying amount of financial assets - Level 2</b>	<b>2,003,481</b>	<b>84,291</b>
<b>Financial liabilities at fair value - Level 2</b>		
At amortised cost		
Promissory notes	4,882,893	3,889,425
Grant liabilities	395,306	558,917
IMF SDR allocation	5,454,469	899,016
IMF maintenance of value	-	996,192
IMF related monies owing	2,213	651
OzCar Special Purpose Vehicle - Guaranteed liabilities	4,922	-
Other payables	9,210	1
	<b>10,744,091</b>	<b>6,344,202</b>
<b>Carrying amount of financial liabilities - Level 2</b>	<b>10,744,091</b>	<b>6,344,202</b>

Note 24D: Net fair value of financial assets and liabilities (continued)

	Level 3 in the fair value hierarchy	
	2010 \$'000	2009 \$'000
<b>Financial assets at fair value - Level 3</b>		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	2,840,078	2,660,585
Guarantee of State and Territory Borrowing contractual fee receivable	482,830	-
	3,322,908	2,660,585
Available for sale financial assets		
International financial institutions	613,901	655,197
Australian Government entities	11,748,460	19,053,177
IMF quota	5,601,246	6,183,416
	17,963,607	25,891,790
<b>Carrying amount of financial assets - Level 3</b>	<b>21,286,515</b>	<b>28,552,375</b>
<b>Financial liabilities at fair value - Level 3</b>		
At amortised cost		
OzCar Special Purpose Vehicle - Guaranteed liabilities	4,922	-
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	2,840,078	2,660,585
Guarantee of State and Territory Borrowing contractual guarantee service obligation	482,830	-
Other provisions	30,540	38,306
	3,358,370	2,698,891
<b>Carrying amount of financial liabilities - Level 3</b>	<b>3,358,370</b>	<b>2,698,891</b>

There was no transfer of financial assets or liabilities between Level 1 and Level 2 in 2009-10 or 2008-09.

	Loans and receivables	
	2010 \$'000	2009 \$'000
<b>Financial assets at fair value - Level 3</b>		
Opening balance	2,660,585	-
Issues	662,323	2,660,585
Closing balance	3,322,908	2,660,585

Note 24D: Net fair value of financial assets and liabilities (continued)

	Available for sale financial assets	
	2010 \$'000	2009 \$'000
<b>Financial assets at fair value - Level 3</b>		
Opening balance	25,891,790	17,273,878
Adjustment for change in accounting policy	-	(55,584)
Total gains or losses for the period recognised in profit or loss <sup>1</sup>	(623,466)	703,565
Total gains or losses recognised in other comprehensive income <sup>2</sup>	(7,304,717)	7,969,931
Closing balance	17,963,607	25,891,790

1 These gains and losses are presented in the schedule of administered items under other gains, net foreign exchange gains and Net foreign exchange losses.

2 These gains and losses are presented in Note 21: Administered reconciliation table.

	At amortised cost	
	2010 \$'000	2009 \$'000
<b>Financial liabilities at fair value - Level 3</b>		
Opening balance	2,698,891	144,793
Total gains or losses for the period recognised in profit or loss <sup>3</sup>	1,803	(42,664)
Issues	662,323	2,660,585
Settlements	(4,647)	(63,823)
Closing balance	3,358,370	2,698,891

3 These gains and losses are presented in the schedule of administered items under other expenses.

Note 24E: Credit risk exposure

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2010: \$5,330,485,000 and 2009: \$2,753,115,000) and the carrying amount of 'available for sale financial assets' (2010: \$17,963,607,000 and 2009: \$25,891,790,000).

However, the international financial institutions that the Treasury holds its financial assets with, hold a minimum of AA credit ratings. The contractual fee receivable arising from the Guarantee Scheme for Large Deposits and Wholesale Funding and Guarantee of State and Territory Borrowing that the Treasury holds relates only to prudentially regulated authorised deposit-taking institutions and State and Territory Governments. These entities hold a minimum of AA credit ratings, therefore the Treasury does not consider any of its financial assets to be at risk of default.



**Note 24F: Liquidity risk**

The Treasury's administered financial liabilities are promissory notes, grant liabilities, the IMF SDR allocation and HIH and HLIC provisions. The contractual guarantee service obligation arising from the Guarantee Scheme for Large Deposits and Wholesale Funding and State and Territory Borrowing are not included as there are no liquidity risks associated with these items. They are contingent on the value of the associated contractual fee receivable. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding through special appropriations and non-lapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations. The following tables illustrate the maturities for financial liabilities:

	On demand	Within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	2010	2010	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Promissory notes	-	-	-	-	4,882,893	4,882,893
Grant liabilities	-	395,306	-	-	-	395,306
IMF SDR allocation liability	-	-	-	-	5,454,469	5,454,469
Other payables	16,345	-	-	-	-	16,345
Other liabilities	30,540	-	-	-	-	30,540
<b>Total</b>	<b>46,885</b>	<b>395,306</b>	<b>-</b>	<b>-</b>	<b>10,337,362</b>	<b>10,779,553</b>

  

	On demand	Within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	2009	2009	2009	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Promissory notes	-	-	-	-	3,889,425	3,889,425
Grant liabilities	-	558,917	-	-	-	558,917
IMF SDR allocation liability	-	-	-	-	899,016	899,016
Other payables	652	-	-	-	-	652
Other liabilities	38,306	-	-	-	-	38,306
<b>Total</b>	<b>38,958</b>	<b>558,917</b>	<b>-</b>	<b>-</b>	<b>4,788,441</b>	<b>5,386,316</b>

**Note 24G: Market risk**

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on the profit and equity as at 30 June 2010 from a 14 per cent (30 June 2009 from a 10 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant.

Risk variable	Change in risk variable per cent	Effect on	
		Profit and loss	Equity
		2010	2010
		\$'000	\$'000
IFI Investments	14.00%	75,391	75,391
IFI Investments	-14.00%	(99,937)	(99,937)
IMF related moneys owing	14.00%	(47)	(47)
IMF related moneys owing	-14.00%	62	62
Quota	14.00%	(687,872)	(687,872)
Quota	-14.00%	911,831	911,831
Promissory notes	14.00%	6,399	6,399
Promissory notes	-14.00%	(8,482)	(8,482)
IMF allocation liability	14.00%	669,847	669,847
IMF allocation liability	-14.00%	(887,937)	(887,937)
Other liabilities	14.00%	272	272
Other liabilities	-14.00%	(360)	(360)

Risk variable	Change in risk variable per cent	Effect on	
		Profit and loss	Equity
		2009	2009
		\$'000	\$'000
IFI Investments	10.00%	59,563	59,563
IFI Investments	-10.00%	(72,800)	(72,800)
IMF related moneys owing	10.00%	(48)	(48)
IMF related moneys owing	-10.00%	59	59
Quota	10.00%	(562,129)	(562,129)
Quota	-10.00%	687,046	687,046
Promissory notes	10.00%	4,975	4,975
Promissory notes	-10.00%	(6,081)	(6,081)
IMF allocation liability	10.00%	81,729	81,729
IMF allocation liability	-10.00%	(99,891)	(99,891)
Other liabilities	10.00%	59	59
Other liabilities	-10.00%	(72)	(72)

The sensitivity analysis of the Treasury's exposure to foreign currency risk at the reporting date has been determined by the Department of Finance and Deregulation based on the five main currencies (USD, EUR, GBP, JPY and NZD) the Commonwealth is exposed to.

The Guarantee Scheme for Large Deposits and Wholesale Funding and State and Territory Borrowing contractual obligation liabilities represents Treasury's obligation to provide a guarantee service to authorised deposit-taking institutions and State and Territory governments. These obligations will always be mirrored by the Guarantee Scheme for Large Deposits and Wholesale Funding and State and Territory Borrowing contractual fee receivables.

Note 25: Administered consolidation

	Treasury		HCS Scheme		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>REVENUE:</b>						
<b>Non-taxation revenue</b>						
<b>Interest</b>						
Gross IMF remuneration	2,314	3,833	-	-	2,314	3,833
Less: Burden sharing	(78)	(86)	-	-	(78)	(86)
Net IMF remuneration	2,236	3,747	-	-	2,236	3,747
Other interest	-	-	-	70	-	70
<b>Total interest</b>	<b>2,236</b>	<b>3,747</b>	<b>-</b>	<b>70</b>	<b>2,236</b>	<b>3,817</b>
<b>Dividends</b>						
Reserve Bank of Australia	5,976,709	1,402,968	-	-	5,976,709	1,402,968
<b>Total dividends</b>	<b>5,976,709</b>	<b>1,402,968</b>	<b>-</b>	<b>-</b>	<b>5,976,709</b>	<b>1,402,968</b>
<b>Sale of goods and rendering of services</b>						
GST administration fees - external entities	564,222	630,480	-	-	564,222	630,480
Guarantee Scheme for Large Deposits and Wholesale Funding fee	1,265,118	476,415	-	-	1,265,118	476,415
Guarantee Scheme for State and Territory Borrowing	101,647	-	-	-	101,647	-
<b>Total sale of goods and rendering of services</b>	<b>1,930,987</b>	<b>1,106,895</b>	<b>-</b>	<b>-</b>	<b>1,930,987</b>	<b>1,106,895</b>
<b>COAG receipts from government agencies</b>						
Building Australia Fund receipts	411,000	1,005,000	-	-	411,000	1,005,000
Health and Hospital Fund receipts	117,925	109,200	-	-	117,925	109,200
Education and Innovation Fund receipts	28,724	-	-	-	28,724	-
Interstate road transport receipts	60,823	8,790	-	-	60,823	8,790
Non-government schools receipts	3,021,461	937,282	-	-	3,021,461	937,282
<b>Total COAG receipts from government agencies</b>	<b>3,639,933</b>	<b>2,060,272</b>	<b>-</b>	<b>-</b>	<b>3,639,933</b>	<b>2,060,272</b>

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Other revenue</b>						
Write back of HCS scheme	3,119	42,634	-	-	3,119	42,634
HIH Group liquidation proceeds	53,776	22,860	-	-	53,776	22,860
State cellar door subsidy savings	115,926	68,723	-	-	115,926	68,723
Other revenue	4,272	3,058	(9)	(59)	4,263	2,999
<b>Total other revenue</b>	<b>177,093</b>	<b>137,275</b>	<b>(9)</b>	<b>(59)</b>	<b>177,084</b>	<b>137,216</b>
<b>Total revenues administered on behalf of Government</b>	<b>11,726,958</b>	<b>4,711,157</b>	<b>(9)</b>	<b>11</b>	<b>11,726,949</b>	<b>4,711,168</b>
<b>Gains</b>						
<b>Net foreign exchange gains/(losses)</b>						
IMF SDR allocation	289,805	-	-	-	289,805	-
IMF maintenance of value	1,136,045	-	-	-	1,136,045	-
IMF quota revaluation	(582,170)	-	-	-	(582,170)	-
IFIs revaluation	(55,445)	-	-	-	(55,445)	-
Other foreign exchange	2,626	-	-	-	2,626	-
<b>Total net foreign exchange gains/(losses)</b>	<b>790,861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>790,861</b>	<b>-</b>
<b>Other gains</b>						
Resources received free of charge	14,148	-	-	-	14,148	-
<b>Total other gains</b>	<b>14,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,148</b>	<b>-</b>
<b>Total gains administered on behalf of Government</b>	<b>805,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>805,009</b>	<b>-</b>
<b>Total income administered on behalf of Government</b>	<b>12,531,967</b>	<b>4,711,157</b>	<b>(9)</b>	<b>11</b>	<b>12,531,958</b>	<b>4,711,168</b>

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>EXPENSES:</b>						
<b>Grants</b>						
Grants to State and Territory Governments	84,285,577	51,583,434	-	-	84,285,577	51,583,434
Payment of COAG receipts from government agencies	3,658,638	2,060,272	-	-	3,658,638	2,060,272
Other grants	30,000	(157)	-	-	30,000	(157)
<b>Total grants</b>	<b>87,974,215</b>	<b>53,643,549</b>	<b>-</b>	<b>-</b>	<b>87,974,215</b>	<b>53,643,549</b>
<b>Interest</b>						
IMF charges	11,413	14,265	-	-	11,413	14,265
<b>Total interest</b>	<b>11,413</b>	<b>14,265</b>	<b>-</b>	<b>-</b>	<b>11,413</b>	<b>14,265</b>
<b>Other expenses</b>						
HLIC claims	(79)	(298)	-	-	(79)	(298)
OzCar Special Purpose Vehicle	4,922	-	-	-	4,922	-
Other expenses	9,873	55	102	11	9,975	66
<b>Total other expenses</b>	<b>14,716</b>	<b>(243)</b>	<b>102</b>	<b>11</b>	<b>14,818</b>	<b>(232)</b>
<b>Losses</b>						
<b>Net foreign exchange losses/(gains)</b>						
IMF SDR allocation	-	102,292	-	-	-	102,292
IMF maintenance of value	-	996,192	-	-	-	996,192
IMF quota revaluation	-	(703,565)	-	-	-	(703,565)
Other	-	8,634	-	-	-	8,634
<b>Total net foreign exchange losses/(gains)</b>	<b>-</b>	<b>403,553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403,553</b>
<b>Total losses administered on behalf of Government</b>	<b>-</b>	<b>403,553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403,553</b>
<b>Total expenses administered on behalf of Government</b>	<b>88,000,344</b>	<b>54,061,124</b>	<b>102</b>	<b>11</b>	<b>88,000,446</b>	<b>54,061,135</b>

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>ASSETS:</b>						
<b>Financial assets</b>						
<b>Cash and cash equivalents</b>						
Cash on hand or on deposits	4,054	8,229	9	1	4,063	8,230
<b>Receivables</b>						
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	2,840,078	2,660,585	-	-	2,840,078	2,660,585
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	106,442	83,730	-	-	106,442	83,730
Guarantee of State and Territory Borrowing contractual fee receivable	482,830	-	-	-	482,830	-
Guarantee of State and Territory Borrowing fee receivable	10,571	-	-	-	10,571	-
Net GST receivable from the ATO	33	9	-	-	33	9
HLIC premiums receivable	43	29	-	-	43	29
IMF related monies owing	380	532	-	-	380	532
IMF maintenance of value	1,136,045	-	-	-	1,136,045	-
RBA dividend receivable	750,000	-	-	-	750,000	-
<b>Total receivables (net)</b>	<b>5,326,422</b>	<b>2,744,885</b>	<b>-</b>	<b>-</b>	<b>5,326,422</b>	<b>2,744,885</b>

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Investments</b>						
<b>International financial institutions</b>						
Asian Development Bank	248,148	273,940	-	-	248,148	273,940
European Bank for Reconstruction and Development International Bank for Reconstruction and Development	89,698	91,288	-	-	89,698	91,288
International Finance Corporation	213,248	223,997	-	-	213,248	223,997
Multilateral Investment Guarantee Agency	55,531	58,330	-	-	55,531	58,330
	7,276	7,642	-	-	7,276	7,642
<b>Total international financial institutions</b>	<b>613,901</b>	<b>655,197</b>	<b>-</b>	<b>-</b>	<b>613,901</b>	<b>655,197</b>
<b>Quota</b>						
International Monetary Fund	5,601,246	6,183,416	-	-	5,601,246	6,183,416
<b>Australian Government entities</b>						
Reserve Bank of Australia	11,144,000	18,502,000	-	-	11,144,000	18,502,000
Australian Reinsurance Pool Corporation	604,460	551,177	-	-	604,460	551,177
<b>Total Australian Government entities</b>	<b>11,748,460</b>	<b>19,053,177</b>	<b>-</b>	<b>-</b>	<b>11,748,460</b>	<b>19,053,177</b>
<b>Total investments</b>	<b>17,963,607</b>	<b>25,891,790</b>	<b>-</b>	<b>-</b>	<b>17,963,607</b>	<b>25,891,790</b>
<b>Non-financial assets</b>						
Other prepayments	545,346	-	-	-	545,346	-
OzCar Special Purpose Vehicle	-	-	-	-	-	-
<b>Total non-financial assets</b>	<b>545,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>545,346</b>	<b>-</b>
<b>Total assets administered on behalf of Government</b>	<b>23,839,429</b>	<b>28,644,904</b>	<b>9</b>	<b>1</b>	<b>23,839,438</b>	<b>28,644,905</b>



Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>LIABILITIES:</b>						
<b>Loans</b>						
IMF promissory notes	4,830,790	3,834,696	-	-	4,830,790	3,834,696
Other promissory notes	52,103	54,729	-	-	52,103	54,729
<b>Total loans</b>	<b>4,882,893</b>	<b>3,889,425</b>	<b>-</b>	<b>-</b>	<b>4,882,893</b>	<b>3,889,425</b>
<b>Grants</b>						
COAG grants payable	395,306	558,917	-	-	395,306	558,917
<b>Total grants</b>	<b>395,306</b>	<b>558,917</b>	<b>-</b>	<b>-</b>	<b>395,306</b>	<b>558,917</b>
<b>Other payables</b>						
GST appropriation payable	33	9	-	-	33	9
IMF SDR allocation	5,454,469	899,016	-	-	5,454,469	899,016
IMF maintenance of value	-	996,192	-	-	-	996,192
IMF related monies owing	2,213	651	-	-	2,213	651
OzCar Special Purpose Vehicle	4,922	-	-	-	4,922	-
Other	9,201	-	9	1	9,210	1
<b>Total other payables</b>	<b>5,470,838</b>	<b>1,895,868</b>	<b>9</b>	<b>1</b>	<b>5,470,847</b>	<b>1,895,869</b>

## Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Unearned income</b>						
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	2,840,078	2,660,585	-	-	2,840,078	2,660,585
Guarantee of State and Territory Borrowing contractual guarantee service obligation	482,830	-	-	-	482,830	-
<b>Total unearned income</b>	<b>3,322,908</b>	<b>2,660,585</b>	<b>-</b>	<b>-</b>	<b>3,322,908</b>	<b>2,660,585</b>
<b>Other provisions</b>						
Provision for insurance claims	-	79	-	-	-	79
Provision for HCS scheme	30,540	38,227	-	-	30,540	38,227
<b>Total other provisions</b>	<b>30,540</b>	<b>38,306</b>	<b>-</b>	<b>-</b>	<b>30,540</b>	<b>38,306</b>
<b>Total other provisions and payables</b>	<b>8,824,286</b>	<b>4,594,759</b>	<b>9</b>	<b>1</b>	<b>8,824,295</b>	<b>4,594,760</b>
<b>Total liabilities administered on behalf of Government</b>	<b>14,102,485</b>	<b>9,043,101</b>	<b>9</b>	<b>1</b>	<b>14,102,494</b>	<b>9,043,102</b>
<b>Net assets administered on behalf of Government</b>	<b>9,736,944</b>	<b>19,601,803</b>	<b>-</b>	<b>-</b>	<b>9,736,944</b>	<b>19,601,803</b>

**Note 26: Appropriations**

**Note 26A1: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations**

	Administered expenses		Departmental outputs		Total	
	Outcome 1		2009		2010	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period ( <i>Appropriation Acts</i> )	-	-	73,063	70,978	73,063	70,978
<i>Appropriation Act:</i>						
Appropriation Act (No. 1, 3) 2009-2010 as passed	1,000	5,000	167,320	147,174	168,320	152,174
Appropriation reduced (Appropriation Act s10, 11 and 12)	-	-	(4,379)	-	(4,379)	-
Advance to the Finance Minister (Appropriation Act s13)	29,675	-	-	-	29,675	-
<i>FMA Act:</i>						
Repayments to the Commonwealth (FMA s30)	-	-	-	-	-	-
Appropriations to take account of recoverable GST (FMA s30A)	67	5	4,892	4,566	4,959	4,571
Relevant agency receipts (FMA s31)	-	-	13,864	10,389	13,864	10,389
Transfer of agency function (FMA s32)	-	-	-	(1,243)	-	(1,243)
<b>Total appropriations available for payments</b>	<b>30,742</b>	<b>5,005</b>	<b>254,760</b>	<b>231,864</b>	<b>285,502</b>	<b>236,869</b>

Note 26A1: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations  
(continued)

	Administered expenses		Departmental outputs		Total	
	Outcome 1		2010	2009	2010	2009
	\$'000	2009 \$'000	\$'000	\$'000	\$'000	\$'000
Cash payments made during the year (GST inclusive)	(30,741)	(62)	(181,177)	(158,801)	(211,918)	(158,863)
Appropriations credited to special accounts (GST exclusive)	-	-	-	-	-	-
Balance of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations and as represented by:	1	4,943	73,583	73,063	73,584	78,006
Cash at bank and on hand	-	-	933	781	933	781
Departmental appropriations receivable	-	-	72,278	71,777	72,278	71,777
Undrawn, unexpired administered appropriations	1	4,943	-	-	1	4,943
Net GST payable (to)/from the ATO	-	-	372	505	372	505
Adjustments under s101.13 of the Finance Minister's Orders not reflected above	-	-	-	-	-	-
<b>Total as at 30 June</b>	<b>1</b>	<b>4,943</b>	<b>73,583</b>	<b>73,063</b>	<b>73,584</b>	<b>78,006</b>

Note 26A2: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations  
(reduction in administered items)

Particulars	Administered expenses		
	Outcome 1		Total
	2010	2009	2010
	\$	\$	\$
<b>Reduction in administered items</b>			
Total administered items appropriated 2009-2010	30,675,000.00	5,000,000.00	30,675,000.00
Less administered items required by the agency per Appropriation Act s11 <sup>1</sup> :			
Appropriation Act (No. 1) 2009-2010	30,674,470.49	56,679.10	30,674,470.49
Appropriation Act (No. 3) 2009-2010	0.00	0.00	0.00
Appropriation Act (No. 5) 2009-2010	0.00	0.00	0.00
Other annual appropriation acts as passed:	0.00	0.00	0.00
Total administered items required by the agency as represented by:			
Spent	30,674,470.49	56,679.10	30,674,470.49
Retention	0.00	0.00	0.00
<b>Total reduction in administered items - effective 2010-2011</b>	<b>529.51</b>	<b>4,943,320.90</b>	<b>529.51</b>
			<b>4,943,320.90</b>

1 Administered items for 2009-10 were reduced to these amounts when these financial statements were tabled in the Parliament as part of the Department of the Treasury's 2009-10 annual report. This reduction is effective in 2010-11 and the amounts in the total reduction row will be reflected in Table A1 in the 2010-11 financial statements in the row 'Appropriations reduced (Appropriation Act s10, 11 and 12)':

Note 26B1: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations

	Operating Outcome 1		Non-operating				Admin assets and liabilities		Total	
	SPPs		Equity		Previous years' outputs					
	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000
Balance brought forward from previous period (Appropriation Acts)	-	-	-	-	-	68,794	48,508	68,794	48,508	48,508
Appropriation Act (No. 2, 4) 2009-2010 as passed	-	84,983	11,959	21,304	2,998	1,800	83,840	19,010	83,840	191,927
Other annual appropriation acts as passed:										
Appropriation (Economic Security Strategy Act)	-	1,184,883	-	-	-	-	-	-	-	1,184,883
Transfer of agency function (FMA s32)	-	-	-	-	-	949	-	-	-	949
Appropriation reduced (Appropriation Act s12, 13 and 14)	-	-	(7,438)	-	-	-	-	-	-	(7,438)
Advance to the Finance Minister (Appropriation Act s15)	-	-	-	-	-	-	-	-	-	-
FMA Act:										
Repayments to the Commonwealth (FMA s30)	-	-	-	-	-	-	-	-	-	-
Appropriations to take account of recoverable GST (FMA s30A)	-	-	452	2,130	300	275	407	107	407	2,812
Adjustment of appropriations on change of entity function	-	-	-	-	-	-	-	-	-	-
<b>Total appropriations available for payments</b>	-	1,269,866	4,973	23,434	3,298	3,024	132,755	87,911	132,755	1,429,079

Note 26B1: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)

	Operating		Non-operating				Total		
	Outcome 1		Equity		Previous years' outputs		Admin assets and liabilities		
	SPPs	2009	2010	2009	2010	2009	2010	2009	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash payments made during the year (GST inclusive)	-	(615,768)	(4,973)	(23,434)	(3,298)	(4,776)	(63,961)	(13,047)	(706,187)
Appropriations credited to special accounts (GST exclusive)	-	-	-	-	-	-	-	-	-
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations and as represented by:	-	654,098	-	-	-	83,134	68,794	83,134	722,892
Cash at bank and on hand	-	-	-	-	-	4,054	8,229	4,054	8,229
Departmental appropriation receivable	-	-	-	-	-	-	-	-	-
Undrawn, unapplied administered appropriations	-	-	-	-	-	-	-	-	-
Net GST payable (to)/from ATO	-	654,098	-	-	-	79,080	60,565	79,080	714,663
Adjustments under s101.13 of the Finance Minister's Orders not reflected above	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	654,098	-	-	-	83,134	68,794	83,134	722,892

**Note 26B2: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (reduction in administered items)**

	SPPs		Operating Outcome 1	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Reduction in administered items</b>		1,269,866,000	-	1,269,866,000.00
Total administered items appropriated				
Less administered items required by the agency per Appropriation Act s12 <sup>1</sup> :				
Appropriation Act (No. 2) 2009-2010	-	5,434,610.80	-	5,434,610.80
Appropriation Act (No. 4) 2009-2010	-	-	-	-
Appropriation Act (No. 6) 2009-2010	-	-	-	-
Other annual appropriation acts as passed:		610,334,000.00	-	610,334,000.00
Total administered items required by the agency as represented by:				
Spent	-	615,768,610.80	-	615,768,610.80
Retention	-	-	-	-
<b>Total reduction in administered items - effective 2009-2010</b>	<b>-</b>	<b>654,097,389.20</b>	<b>-</b>	<b>654,097,389.20</b>

<sup>1</sup> Administered items for 2008-09 were reduced to these amounts when these financial statements were tabled in the Parliament as part of the Department of the Treasury's 2008-09 annual report.



Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount)

	2010 \$'000	2009 \$'000
<b>A New Tax System (Commonwealth - State) Financial Arrangements Act 1999</b>		
<i>Purpose:</i> An Act under which the Australian Government guaranteed that in the transitional years following the introduction of tax reform, each State's budgetary position would be no worse off than had the reforms not been implemented.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(88,736)	(40,996,912)
Appropriations credited to special accounts	-	-
Repayments to the Commonwealth (net) (FMA s30)	-	-
Total charged to appropriation	(88,736)	(40,996,912)
<i>Budget estimate</i>	-	41,450,756
<b>Federal Financial Relations Act 2009</b>		
<i>Purpose:</i> An Act to provide financial assistance to the States, the Australian Capital Territory and the Northern Territory, and for related purposes.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(61,614,079)	(3,162,950)
Appropriations credited to special accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to appropriation	(61,614,079)	(3,162,950)
<i>Budget estimate</i>	59,264,932	3,181,600

**Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount) (continued)**

	2010 \$'000	2009 \$'000
<b>International Monetary Agreements Act 1947</b>		<b>Outcome 1</b>
<i>Purpose:</i> An Act to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease the balance of payments adjustment.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(9,949)	(17,543)
Appropriations credited to special accounts	-	-
Repayments to the Commonwealth (net) (FMA s30)	-	-
Total charged to appropriation	(9,949)	(17,543)
<i>Budget estimate</i>	4,466	433,711
<b>Superannuation Industry (Supervision) Act 1993</b>		<b>Outcome 1</b>
<i>Purpose:</i> An Act to provide the framework for providing financial assistance to superannuation funds that had suffered an eligible loss, that is a loss as a result of fraudulent conduct or theft.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	-	-
Appropriations credited to special accounts	-	-
Repayments to the Commonwealth (net) (FMA s30)	-	157
Total charged to appropriation	-	157
<i>Budget estimate</i>	-	-

Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount)  
(continued)

	2010 \$'000	2009 \$'000
<b>Totals for unlimited special appropriations</b>		
Cash payments made during the year	(61,712,764)	(44,177,405)
Appropriations credited to special accounts	-	-
Refunds credited (net) (FMA s30)	-	157
Total charged to appropriation	(61,712,764)	(44,177,248)
<i>Budget estimate</i>	<b>59,269,398</b>	<b>45,066,067</b>

**Note 26D: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (refund provisions)**

<b>Financial Management and Accountability Act 1997</b>		2009
Transactions reported in this table are Administered items		\$'000
	2010	Outcome 1
	\$'000	
Cash payments made during the year	20	1
Appropriations credited to special accounts	-	-
Repayments to the Commonwealth (net) (FMA s30)	-	-
Total charged to appropriation	20	1
Budget estimate (FMA s28)	-	-

**Note 26E: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (Section 39 of the FMA Act)**

For the periods 2009-10 and 2008-09, the Treasury has not drawn cash under section 39 of the FMA Act.

**Note 26F: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (other disclosures)**

The special appropriations listed below are administered in nature and the responsibility of the Treasury and were not used in the current reporting period or the previous reporting period and are therefore not shown in separate tables.

<b>Limited</b>	
<b>Act</b>	<b>Purpose</b>
<i>Asian Development Bank Act 1966</i>	Payments and promissory notes to establish the Bank Balance available is USD\$42,500,000 in callable shares
<i>Asian Development Bank (Additional Subscription) Act 1972</i>	Subscribe to 2,550 (paid-in) and 10,200 (callable) shares Balance available is USD\$102,000,000 in callable shares
<i>Asian Development Bank (Additional Subscription) Act 1977</i>	Subscribe to 2,869 (paid-in) and 25,818 (callable) shares Balance available is USD\$258,180,000 in callable shares
<i>Asian Development Bank (Additional Subscription) Act 1983</i>	Subscribe to 2,622 (paid-in) and 49,811 (callable) shares Balance available is USD\$498,110,000 in callable shares
<i>Asian Development Bank (Additional Subscription) Act 1995</i>	Subscribe to 2,047 (paid-in) and 100,323 (callable) shares Balance available is USD\$1,210,246,511 in callable shares
<i>Asian Development Bank (Additional Subscription) Act 2009</i>	Subscribe to 16,379 (paid-in) and 393,101 (callable) shares Balance available is USD\$4,742,173,913.5 in callable shares and USD\$197,588,066.5 in paid-in shares
<i>European Bank for Reconstruction and Development Act 1990</i>	Payments and promissory notes to establish the Bank Balance available is USD\$81,690,700 in callable shares
<i>International Financial Institutions (Share Increase) Act 1982</i>	For payments for additional shares of capital stock in the International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD) Balance available is USD\$692,927,440 in callable shares (IBRD)
<i>International Monetary Agreements Act 1974</i>	Making payments, including for promissory notes, to the International Bank for Reconstruction and Development (IBRD) Balance available is USD\$37,638,120 in callable shares (IBRD)
<i>Multilateral Investment Guarantee Agency Act 1997</i>	Payments of capital and on securities issued to establish the Agency Balance available is USD\$14,827,728 in callable shares
<i>Papua New Guinea Loans Guarantee Act 1975</i>	Continuation of guarantees under the <i>Papua New Guinea Act 1949-75</i> Balance available is AUD\$4,480,000

Note 26F: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (other disclosures) (continued)

Unlimited	
Act	Purpose
<i>Car Dealership Financing Guarantee Appropriation Act 2009</i>	Payment of claims under the Deed of Guarantee in respect of the Australian Government Guarantee to Support Interim Funding to Car Dealerships
<i>Financial Agreements (Commonwealth Liability) Act 1932</i>	Payment of principal and interest on bonds issued under the <i>Financial Agreement Validation Act 1929</i> , consolidating State debts
<i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008</i>	Payment of claims under the Deed of Guarantee in accordance with the Guarantee Scheme for Large Deposits and Wholesale Funding rules; repayment of a borrowing and interest on a borrowing
<i>Guarantee of State and Territory Borrowing Appropriation Act 2009</i>	Payment of claims under the Deed of Guarantee in accordance with the Guarantee of State and Territory Borrowing; Repayment of a borrowing and interest on a borrowing
<i>Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996</i>	Payments for amounts arising from claims made before the transfer period leading to the abolition of the HLIC
<i>Mint Employees Act 1964</i>	Top up superannuation entitlements
<i>Payment of Tax Receipts (Victoria) Act 1996</i>	Payment to Victoria of certain taxes collected by the Australian Government on Victoria's behalf
<i>States Grants Act 1927</i>	Distribution of surplus revenue to the States

The disclosure below is for note purposes only and is not recognised in the financial statements.

**Commonwealth Places (Mirror Taxes) Act 1998**

The Treasury is responsible for administering the above Act for the purpose of paying compensation to the States in respect of constitutionally invalid States taxes levied on Commonwealth places. Under the Act, the Australian Government is liable to pay to a State amounts equal to amounts received by the Australian Government (including amounts received by a State on behalf of the Australian Government) under an applied law of the State. During the current reporting period and previous reporting period the States collected and provided the following estimates of taxes pursuant to the Act:

	2010	2009
	\$	\$
Total mirror tax collection	<b>409,098,727</b>	404,026,217

Note 26G: Special accounts

**Actuarial services special account (departmental)**

Legal authority: *Financial Management and Accountability Act 1997*; s20.

Purpose: providing actuarial services and advice.

Note: Actuarial services special account was established on 1 October 2006.

	2010 \$'000	2009 \$'000
<i>This account is non-interest bearing</i>		
Balance carried from Australian Government Actuary Account	1,857	1,858
GST credit (FMA s30A)	6	29
Other receipts from rendering of services	1,927	1,518
Available for payments	3,790	3,405
Payments made to employees	(1,195)	(1,136)
Payments made to suppliers	(390)	(412)
<b>Balance carried to next period</b>	<b>2,205</b>	<b>1,857</b>
<i>Represented by:</i>		
Cash held by the Australian Government Actuary	264	586
Add: Receivables - <i>Monies held in the OPA</i>	1,959	1,270
Add: Receivables - <i>goods and services - GST receivable from customers</i>	17	45
Less: Other payables - <i>net GST payable to the ATO</i>	(35)	(44)
<b>Total balance carried to the next period</b>	<b>2,205</b>	<b>1,857</b>

Note 26G: Special accounts (continued)

**COAG Reform Fund Special Account**

*Legal authority: COAG Reform Fund Act 2008.*

*Appropriations: Financial Management and Accountability Act 1997; s21.*

*Purpose: For the making of grants and financial assistance to the States and Territories.*

	2010 \$'000	2009 \$'000
Balance carried from previous period	-	-
Adjustment to prior year	-	-
Adjusted balance carried forward from previous period	-	-
Appropriation for reporting period	22,382,372	5,928,084
Receipts from other agencies	3,639,927	2,060,272
GST credits (FMA s30A)	302,150	-
Payments made to suppliers	(26,324,449)	(7,988,356)
Repayments debited from the special account	-	-
Repayments debited from the special account (FMA Act section 39)	-	-
<b>Balance carried to next period (excluding investment balances) and</b>	<b>-</b>	<b>-</b>
<i>Represented by:</i>		
Securities held by Treasury	-	-
<b>Total balance carried to the next period</b>	<b>-</b>	<b>-</b>



**Note 26G: Special accounts (continued)**

**Services for other Governments and non agency bodies account (Departmental)**

The Treasury has a 'Services for other Governments and non-agency bodies' special account established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act). The purpose of this special account is for the expenditure in connection with services performed on behalf of other Governments and bodies that are not agencies under the FMA Act. For the years ended 30 June 2009 and 30 June 2010 this special account had nil balances and no transactions were credited or debited to the account.

**Other trust monies account (Departmental — Special Public Money)**

The Treasury has an 'other trust monies' special account established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. For the years ended 30 June 2009 and 30 June 2010 this special account had nil balances and no transactions were credited or debited to the account.

**Other trust monies account (Administered — Special Public Money)**

The Treasury has an 'other trust monies' special account established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act.

For the year ended 30 June 2010 the money in this special account rounded to zero in relation to HIH recoveries received from the HIH Claims Manager, which were recovered from third parties in relation to claims made by persons insured by HIH. These recoveries comprise a portion which is due to third parties and part to the Australian Government. Receipts and subsequent payments relating to third parties are treated as special public monies.

	<b>2010</b>	2009
	<b>Actual</b>	Actual
	<b>\$'000</b>	\$'000
Balance carried forward from previous year	-	-
Receipts during the year	-	23
Available for payments	-	23
Payments made	-	(23)
<b>Balance carried forward to next year held by the entity</b>	<b>-</b>	<b>-</b>
<i>Represented by:</i>		
Cash held by Treasury	-	-
<b>Balance carried forward to next year held by the entity</b>	<b>-</b>	<b>-</b>

**Note 26H: Special accounts investment of public money**

For the periods 2008-09 and 2009-10, the Treasury has not used section 39 of the FMA Act or section 18 and 19 of the Commonwealth Authorities and Companies Act in respect of all special accounts.

**Note 27: Compensation and debt relief**

For the periods of 2008-09 and 2009-10, the Treasury made no administered or departmental debt waivers, act of grace, ex-gratia or section 73 of the *Public Service Act 1999* payments.

**Note 28: Reporting of outcomes**

In 2009-10 the Treasury moved from four outcomes and 12 outputs to a single outcome and 10 programs under new program reporting arrangements. Shared services are now allocated to one program (Program 1.1). The basis of allocation of shared services is consistent with the basis used for the Budget.

## Note 28: Reporting of outcomes (continued)

### Note 28A: Net cost of outcome delivery

	Outcome 1	
	2010	2009
	\$'000	\$'000
<b>Expenses</b>		
Administered expenses	88,000,446	54,061,135
Departmental expenses	174,382	162,196
<b>Total expenses</b>	<b>88,174,828</b>	<b>54,223,331</b>
<b>Costs recovered from provision of goods and services to the non-government sector</b>		
Administered	-	-
Departmental	996	970
<b>Total costs recovered</b>	<b>996</b>	<b>970</b>
<b>Other external revenues</b>		
<b>Administered</b>		
Interest	2,236	3,817
Dividends	5,976,709	1,402,968
GST administration fees	564,222	630,480
Australian Government Guarantee Fee	1,366,765	476,415
COAG receipts from government agencies		
government agencies	3,639,933	2,060,272
HIH Group liquidation proceeds	53,776	22,860
Net foreign exchange gains	790,861	-
Other gains	14,148	-
Other revenue	123,308	114,356
<b>Total administered</b>	<b>12,531,958</b>	<b>4,711,168</b>
<b>Departmental</b>		
Net gains	546	534
Other	742	290
Related goods and services revenue	11,611	7,853
<b>Total departmental</b>	<b>12,899</b>	<b>8,677</b>
<b>Total other external revenues</b>	<b>12,544,857</b>	<b>4,719,845</b>
<b>Net cost/(contribution) of outcome</b>	<b>75,628,975</b>	<b>49,502,516</b>

The presentation of the 2009 comparative does not match what was published in the Treasury's 2008-09 Annual Report due to Treasury moving from four outcomes to one outcome.

Note 28B: Major classes of Departmental expenses, income, assets and liabilities  
by Outcome

	Outcome 1	
	2010	2009
	\$'000	\$'000
<b>Departmental expenses</b>		
Employee benefits	118,613	107,575
Suppliers and grants	51,301	50,294
Depreciation and amortisation	4,368	4,191
Write down of assets	28	33
Finance costs	35	94
Net losses from sale of assets	37	9
<b>Total departmental expenses</b>	<b>174,382</b>	<b>162,196</b>
<b>Funded by:</b>		
Revenues from Government	165,939	148,680
Sale of goods and services	12,607	8,823
Other non-taxation revenues	742	290
Other gains	546	534
<b>Total departmental revenues</b>	<b>179,834</b>	<b>158,327</b>
<b>Departmental assets</b>		
Cash and cash equivalents	1,196	1,367
Trade and other receivables	77,254	76,793
Land and buildings	8,714	10,314
Plant and equipment	7,620	7,985
Intangibles	36,711	19,650
Assets held for sale	-	24
Other non-financial assets	1,799	1,042
<b>Total departmental assets</b>	<b>133,294</b>	<b>117,175</b>
<b>Departmental liabilities</b>		
Suppliers	1,662	3,853
Other payables	12,098	6,621
Leases	40	233
Employees provisions	39,110	36,057
<b>Total departmental liabilities</b>	<b>52,910</b>	<b>46,764</b>

**Note 28C: Major classes of Administered revenues, expenses, assets and liabilities by outcome**

	Outcome 1	
	2010	2009
	\$'000	\$'000
<b>Administered revenues</b>		
Interest	2,236	3,817
Dividends	5,976,709	1,402,968
Goods and services	564,222	630,480
Australian Government Guarantee Fee	1,366,765	476,415
COAG receipts from government agencies	3,639,933	2,060,272
HHH Group liquidation proceeds	53,776	22,860
Other	123,308	114,356
Net foreign exchange gains	790,861	-
Other gains	14,148	-
<b>Total administered revenues</b>	<b>12,531,958</b>	<b>4,711,168</b>
<b>Administered expenses</b>		
Grants	87,974,215	53,643,549
Other	26,231	14,033
Net foreign exchange losses	-	403,553
<b>Total administered expenses</b>	<b>88,000,446</b>	<b>54,061,135</b>
<b>Administered assets</b>		
Cash and cash equivalents	4,063	8,230
Receivables	5,326,422	2,744,885
Investments	17,963,607	25,891,790
Other non-financial assets	545,346	-
<b>Total administered assets</b>	<b>23,839,438</b>	<b>28,644,905</b>
<b>Administered liabilities</b>		
Loans	4,882,893	3,889,425
Grants	395,306	558,917
Other payables	8,793,755	4,556,454
Other provisions	30,540	38,306
<b>Total administered liabilities</b>	<b>14,102,494</b>	<b>9,043,102</b>

